Ontario

OFFICE OF THE PROVINCIAL AUDITOR

1989 ANNUAL REPORT

OFFICE OF THE PROVINCIAL AUDITOR

THE HONOURABLE
HUGH EDIGHOFFER, M.P.P.

Speaker of the Assembly
Province of Ontario

Dear Sir:

I am pleased to transmit my report covering audits completed through August 31, 1989, for submission to the Assembly in accordance with the provisions of section 12(1) of the Audit Act.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, November 28, 1989.

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CHAPTER

1

MATTERS OF SPECIAL INTEREST

CHAPTER 1
MATTERS OF SPECIAL INTEREST

1.1 Basis of Reporting

The contents of this Report are pursuant to Section 12(2) of the Audit Act. A major provision of the legislation requires that the Auditor bring to the attention of the Legislative Assembly instances where he has observed significant deficiencies in Government administration.

In order to better assist the Assembly in its role of holding the Government accountable, we endeavour to go beyond this basic requirement. In most audits we attempt to assess how well a particular Government function is being administered, and to support that assessment with relevant comments and observations. Generally, therefore, observed matters are reported in the context of a conclusion on the overall quality of administration for the specific area subject to audit.

The Report does contain some observations which are not made in the context of a broad audit conclusion or assessment. These primarily relate to our Crown agency audit activities where the focus of the audit is on the expression of an opinion on the agency's financial statements. The reader is cautioned against drawing unwarranted conclusions from such observed matters. These matters are simply observations relating to specific transactions. It would be incorrect, for example, for the reader to conclude that similar transactions of the particular agency were handled in a like manner.

There is a general view that our Reports unduly emphasize deficiencies without giving credit for the many situations where no significant irregularities were observed. To a large extent this result is unavoidable given the reporting requirements of the Audit Act. However, by constructively auditing, we are able to provide effective recommendations for management's consideration. And, when warranted, we have attempted to moderate this general perception by also drawing attention to some of the positive aspects of Government administration noted in the course of audit.

The most significant results and observations resulting from our scrutiny of selected ministries and agencies are included in the Annual Report. Our selection for inclusion is based not only on the dollar significance of the amounts involved, but also on the importance of a particular issue or concern to the Legislature (Section 5.7). In addition, some purely informational comments are included in the Report because, in our view, the matters should be brought to the attention of the Assembly.

1.2 Scope of Audit Activity

The Province's revenue and expenditure for the fiscal year ended March 31, 1989 totalled $37.3 billion and $38.7 billion, respectively. Over 25 ministries were involved in the administration of hundreds of revenue and expenditure programs and in the operation of associated financial and information systems.

The size and complexity of Government preclude an audit of all operations on an annual basis. Accordingly, each year, the Office audits a selection of programs and systems that individually expend over $30 or $40 million annually, so that over a five-year period management's administration of all major operations is considered for review. This year, we audited 15 major programs/activities in 9 different ministries, primarily for value for money. As well, inspection audits of

transfer payments to a university and a public hospital were completed. Additionally, three cross-ministry audits of major expenditures for consulting services, travelling and overtime expenses were carried out.

The Provincial Auditor attests to the fairness of the financial statements of the Province and over 60 Crown agencies on an annual basis.

Government policies, or submissions prepared by management for policy development, are not subject to audit. (Section 5.4)

1.3 Overall Assessment

We are often asked for an assessment of the overall administrative performance of Government. The necessary limitations to the scope of our annual audit, as mentioned in the previous section, provide us with insufficient audit evidence on which to base such an assessment. However, we are not without some conviction in the matter.

With over 100 years of auditing experience, the Office has developed a thorough understanding of the changing nature of the Government and its operating environment. Therefore, based on our professional training and years of experience, it is our view that the Government of Ontario is being satisfactorily administered overall. This view is consistent with that expressed in the past few years. In more quantifiable terms, administrative performance could be rated as a 7 out of 10.

Particularly in the last decade, the Government has been continually challenged to improve its administrative performance just to keep pace with increasing public demands. We believe that this challenge has been met. However, we also believe, as does the Government, that further improvement is a necessary and achievable goal.

We are pleased to report that we received all the information and explanations required, and we acknowledge and thank those from whom we received assistance.

1.4 Report Synopsis

Introduction

The purpose of this section is to provide the reader with an overview of the content included in Chapters 2 and 3. These summaries are abbreviated. Readers are encouraged to refer to the complete text as indicated by the section references.

Accountability for Transfer Payments

Developments over the past two years should improve current ministry practices in managing transfer payment programs. Ministries are required by Management Board Directive to establish an accountability framework for each transfer payment program, which clearly sets out the planned objectives and results that the recipient is expected to achieve.

Report Synopsis

It is anticipated that all accountability frameworks will have been approved by the end of the 1990 fiscal year. (Section 2.2)

Estimates Review Process Reformed

In 1989, the Legislature amended the Standing Orders to provide for the establishment of a Standing Committee on Estimates. This Committee will consider the Estimates of not fewer than six and not more than twelve ministries and offices annually. The new procedures for the review of the Estimates should provide for better legislative scrutiny of the Government's spending plans. (Section 2.3)

Government Deficits

This informational section outlines some of the arguments for and against governments accumulating deficits. It also illustrates recent trends with respect to Ontario's deficit. (Section 2.4)

Government-wide Audits

We audited expenditures across several ministries for consulting services, overtime costs and travel expenses. Relevant expenditures for these activities totalled approximately $340 million in the 1989 fiscal year.

Consulting Services

We concluded that ministries were generally following government policies and procedures for the purchase of consulting services. Nevertheless, we were concerned that, in some instances, ministries were merely going through the motions of competitive tendering. (Section 2.5)

Overtime

Overtime was well-managed in the five ministries covered in our review. The overtime was necessary and generally the most economical means of completing the work. However, there were opportunities for reductions in overtime expenditures. (Section 2.6)

Travel Expenses

We found that adherence to policies and procedures for travel expenses was particularly strong at three of the twelve ministries we examined. At the other nine ministries, there were many examples where employees disregarded policies and procedures, particularly those related to transportation and accommodation. (Section 2.7)

Matters of Special Interest

Inspection Audits

This year, we audited a second university and conducted our first audit of a public hospital. In the coming year, we will audit one more university and hospital and, for the first time, audit one or more school boards.

Guelph University

Similar to our experience with the first university audited, we found that improvements were required in enrolment reporting procedures. Overall, accounting records and procedures were satisfactory. However, we had concerns about the awarding of a computer contract, a remuneration package, and the administration of sabbatical leave. (Section 2.8)

York-Finch General Hospital

On the whole, we found the Hospital accounting records and procedures were satisfactory. We did, however, find some significant deficiencies with regard to the acquisition of equipment, goods and services, and in the control over medical and surgical supplies. (Section 2.9)

Central Common Services

Three of our audits pertained to services provided by the Ministry of Government Services and Human Resources Secretariat to other ministries and offices of the government.

Management of Leased Accommodation, Ministry of Government Services

Accommodation requirements were not identified on a timely basis. In addition, while leased accommodation was generally acquired economically, the proportion of leased to owned space continued to increase, particularly in Metropolitan Toronto. (Section 3.7)

Repair, Operation and Maintenance, Ministry of Government Services

Frequently, the necessity of repairs was not demonstrated. In addition, repairs and maintenance services were not acquired economically. (Section 3.8)

Classification System, Human Resources Secretariat

Position classifications were not kept up-to-date. In addition, the Secretariat did not perform any formal monitoring of classification duties delegated to the ministries. (Section 3.10)

Ministry-delivered Programs

Seven of our audits were of programs or activities carried out directly by ministries.

District Courtrooms, Ministry of the Attorney General

District courtrooms were not utilized efficiently and there was no formal monitoring of court staff productivity. Also, there was little monitoring of the management practices in Sheriff's Offices. (Section 3.2)

Report Synopsis

Community Services Activity, Ministry of Correctional Services

Although there had been few serious incidences of risk to public safety, breaches of probation conditions frequently occurred without adequate enforcement action. In addition, rehabilitation programs were not adequately identified, planned, executed and assessed. In contrast, we found conditions of parole to be much more strictly monitored and enforced. (Section 3.5)

Ontario Board of Parole, Ministry of Correctional Services

The procedures adopted by the Board for making parole decisions were reasonably effective in safeguarding the public. However, better documentation of the rationale for Board members' decisions and ongoing reviews of selected cases would improve quality and consistency. (Section 3.6)

Fisheries and Wildlife Management, Ministry of Natural Resources

Controls over the issuing of fishing licences and collection of related fees were inadequate. Better planning and monitoring of the enforcement efforts of Conservation Officers were required. Activities to protect and rehabilitate fish and wildlife populations were successful. (Section 3.11)

Retail Sales Tax, Ministry of Revenue

Despite improved audit productivity, a high proportion of small vendors may never be audited. However, the Ministry has been increasingly effective in collecting taxes from delinquent vendors. (Section 3.12)

Driver and Vehicle Registration Systems, Ministry of Transportation

Generally, controls over driver information, vehicle registrations, and the acquisition and use of computer resources were adequate. However, several system and administrative deficiencies were noted. (Section 3.13)

Examination, Inspection and Enforcement, Ministry of Transportation

Overall, driver examination staff productivity was at a high level but compliance with certain key standards and procedures was inadequate. Also, little formal monitoring of inspection and enforcement procedures was being done. (Section 3.14)

Ministry-funded Programs Delivered by Others

Three of our audits were of programs or activities where the services were provided by entities outside the ministries.

Children's Services Activity, Ministry of Community and Social Services

Procedures were inadequate to ensure compliance with certain provisions of the Day Nurseries Act, and Ministry-established guidelines. As well, the Ministry did not ensure that subsidies paid for child care were used in a cost-effective manner. (Section 3.3)

Matters of Special Interest

Children's Aid Societies, Ministry of Community and Social Services

The two Children's Aid Societies we audited did not meet various requirements of the Child and Family Services Act and Regulations. In addition, the Ministry did not know whether Children's Aid Societies were providing cost-effective services. (Section 3.4)

Land Ambulance Services, Ministry of Health

The administration of financial settlements with ambulance operators required substantial improvement. Annual inspections of ambulance services were performed satisfactorily; however, follow-up action was lacking. (Section 3.9)

1.5 Reacting to Concerns

The Office of the Provincial Auditor can be contacted by anyone who has concerns about wasteful or inappropriate use of resources in the administration of Ontario Government programs.

Information received will be treated confidentially and considered for appropriate action or investigation. Any significant findings resulting from investigations undertaken will be included in subsequent Annual Reports to the Legislature.

Contact may be made by telephone at (416) 974-9866 or 1-800-668-8516, by facsimile (416) 324-7012 or by writing to :

Office of the Provincial Auditor,
Box 105, 20 Dundas Street West,
Toronto, Ontario.
M5G 2C2

CHAPTER

2

COMMENTS ON GOVERNMENT-WIDE MATTERS AND SPECIAL REVIEWS

CHAPTER 2
COMMENTS ON GOVERNMENT-WIDE MATTERS AND SPECIAL REVIEWS

2.1 Introduction

Comments contained in this segment of the Report result from Government-wide and special reviews. A list of all reviews completed since our last Report is included in Exhibit 1.

2.2 Update on Accountability for Transfer Payments

INTRODUCTION

The primary goal of the Office is to assist the Legislature in holding the Government and its administrators accountable for the stewardship of public funds. Consequently, a continuing concern of the Office has been the need for improved accountability in respect of transfer payments, the largest component of Government expenditures.

In the 1989 fiscal year, transfer payments of $28.6 billion accounted for approximately 74 per cent of Provincial expenditure. The Government has complete control over approximately one quarter ($7.3 billion) of these payments, which are made directly to individuals, or to others such as physicians and pharmacists providing services to the public. However, the Government does not have complete control over the use, safeguarding or expenditure of the other three quarters ($21.3 billion) of the funds, which are transferred to intermediary organizations or bodies providing services to the public (e.g. hospitals, universities, school boards).

In Section 2.2 of our 1988 Report, we reported on the various phases through which improvements in the accountability for transfer payments had progressed. The purpose of this year's section is to provide an informational update only.

PROGRESS IN IMPLEMENTING ACCOUNTABILITY FRAMEWORKS

A Directive on Transfer Payment Accountability had been approved by Cabinet in May 1988. To assist ministries in implementing the Directive, Management Board Secretariat co-ordinated the preparation of a companion Guideline. The Guideline was finalized and circulated to Deputy Ministers in October 1988, along with a request that the ministries develop a proposed accountability framework for each transfer payment program.

Most frameworks have been submitted and have been reviewed, or are in the process of being reviewed, by the Secretariat. It is anticipated that all submissions would be received, and reviews and discussions with the ministries completed, during the next few months.

The content of the submissions covered the key components of accountability frameworks, that is setting expectations (objectives and results), contracting (the understanding between the ministry and the transfer payment recipient), and reporting. The submissions also indicated what improvements had been planned for current ministry practices relating to the management of transfer payment programs. While awaiting final Cabinet approval of their submissions, the ministries are proceeding to implement elements of their accountability frameworks.

Comments on Government-wide Matters and Special Reviews

To facilitate the submission of the evaluated accountability frameworks to the Cabinet for approval, the Secretariat has prioritized the presentation of the frameworks. The first presentation scheduled for the latter part of 1989 is to address 21 of the largest transfer payment programs, representing approximately 80 per cent of total Provincial transfer payments. Included in this group of transfer payments are hospitals, health benefits, schools, universities, family benefits, and municipal grants and subsidies. It is intended that all accountability frameworks will have been submitted to Cabinet for their consideration before March 31, 1990.

COMMENTARY

Through our ongoing audit activities, we will assess the extent to which these accountability frameworks are in place and how well they are operating.

2.3 Reform of the Estimates Review Process

Our 1987 and 1988 Reports (Sections 2.2 and 2.3 respectively) summarized deficiencies in the Estimates review process and the recommendations for improvement expressed by various Ontario legislative committees since 1980.

On July 25, 1989, the Legislature agreed to a Government motion to amend the Standing Orders of the Legislative Assembly (rules of the House) which resulted in, among other things, the reform of the Estimates review process.

Revisions of the Standing Orders pertaining to the reform of the Estimates process include:

- the establishment of a Standing Committee on Estimates, to be chaired by a member of an opposition party, for the purpose of considering the Estimates of not fewer than six and not more than twelve ministries and offices annually.

- the Estimates to be considered are to be selected in two rounds by the Committee, with members of the Official Opposition party choosing first, the members of a recognized party having the third largest membership in the House choosing second, and the members of the party forming the Government choosing third. In each round, the members of each party may choose the Estimates of one or two ministries or offices to be considered.

- the time for the consideration of the Estimates of each ministry or office is to be determined by the members of the Committee who selected such Estimates. A total of not more than 15 hours is allocated to each round, for considering the Estimates of the one or two ministries or offices chosen for the round.

- all other Estimates not selected for consideration by the Committee are deemed to be passed by the Committee and are to be reported back to the House.

- the Committee is to present one report, with respect to all of the Estimates considered, no later than the third Thursday in November of each calendar year. If the Committee fails to report on time, the Estimates are deemed to be passed by the Committee, and are also deemed to be reported to and received by the House.

- the minister or person answerable for the Estimates considered by the Committee is to provide each member of the Committee and the Clerk of the Committee with advance briefing material, including such information as growth rates, interim expenditures for the previous fiscal year, and an explanation of the programmes and funding by particular item.

- a maximum of six hours is to be allotted for a debate in the House on the Orders for Concurrence in Supply for the ministries and offices whose Estimates were selected for consideration by the Committee.

The amended Standing Orders and the revised Estimates review process became effective on October 10, 1989. The new procedures for the review of the Estimates should provide for better legislative scrutiny of the Government's proposed spending plans.

2.4 Commentary on Government Deficits

INTRODUCTION

Government deficits are a topical issue today. They receive a great deal of media coverage, especially at the federal level. At both the federal and provincial levels, the need to control the deficit has been increasingly cited as one of the reasons for tax increases.

DEFINITION

Simply put, a government's deficit represents its excess of expenditure over revenue in any given year. A government's accumulated deficit equals the total of annual deficits, less surpluses.

For the year ended March 31, 1989, Ontario's deficit was $1.5 billion, and its accumulated deficit was $35.5 billion.

When government expenditures continue to exceed revenue, cash balances are drawn down and borrowing is required. All such borrowing constitutes a government's total debt. In Ontario, this debt amounted to $39.0 billion as at March 31, 1989. Interest on this debt totalled $4.0 billion for the year ended March 31, 1989.

PROS AND CONS

There are two schools of thought regarding the advisability of governments accumulating deficits. Those opposed argue:

- Deficits encourage inflation and higher interest rates. The large sums borrowed to finance deficits tend in themselves to put upward pressure on both interest rates and inflation.

- Deficits make governments vulnerable in times of recession. Continuing deficits, along with rising debt levels and expenditure growth, increase government exposure to financial risks in the event of an economic slowdown.

- Deficits mean mortgaging our future. Through increasing debt obligations, deficits sentence governments and taxpayers to an indefinite future of tax increases and/or service cuts.

- Excessive debt drains government resources, preventing the development of new initiatives. An increasing percentage of government expenditure is devoted to interest charges on borrowings.

While deficit accumulation has its detractors, there are others who maintain:

- There is no statistical evidence to link government borrowing and deficits with inflation or higher interest rates.

- Deficits are a tool for creating jobs and stimulating the economy. Without the level of government spending experienced in the 1980s, there would be a recession.

- Deficits, rather than mortgaging our future, are paying for future benefits. Deficits include expenditures for capital purposes, e.g. hospitals, schools, highways, etc.

- Deficits are largely money we owe to ourselves. Government debt, to a large extent, is money which governments are repaying to their own citizens.

In summary, there are divergent views on the desirability of deficits and accumulated deficits. However, there is general agreement on the need for governments to carefully monitor and control any deficit situation. Governments should, for example, be concerned that the growth in the accumulated deficit does not outpace the growth in the economy.

Such a situation would lead to greater borrowing by government, and over time, to a considerably higher debt level. This would necessitate an ever increasing percentage of a government's revenues to be earmarked for debt carrying charges (interest), thus making it more difficult to maintain existing levels of service or introduce new spending programs.

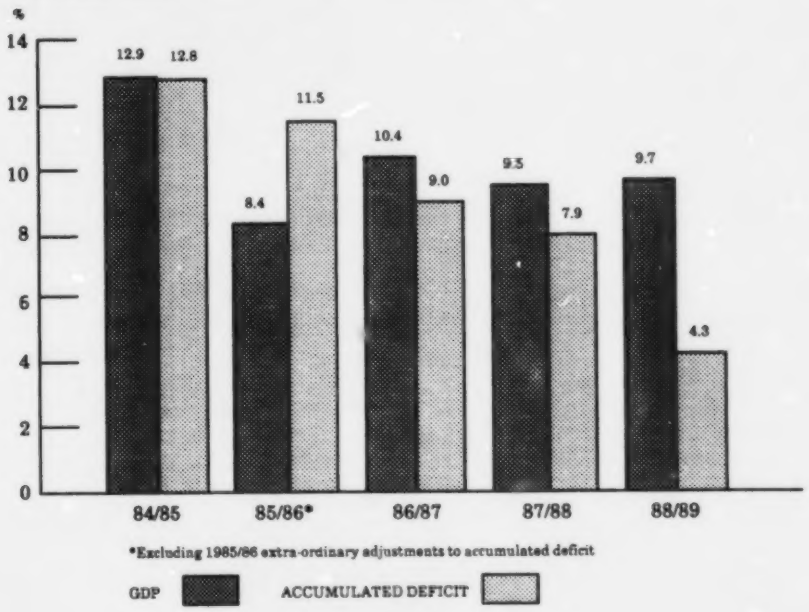
A personal corollary may be made here. If an individual's economic growth (i.e. increase in income) does not keep pace with the growth of his/her debt, then the debt becomes increasingly difficult to manage.

Government Deficits

A prime measure of economic growth is the gross domestic product (GDP), which represents the value of all goods and services produced in a year. The following graph compares the percentage change in Ontario's GDP to the percentage change in Ontario's accumulated deficit for the past five years.

As is evident from the graph, Ontario's recent economic growth is exceeding the growth of the accumulated deficit.

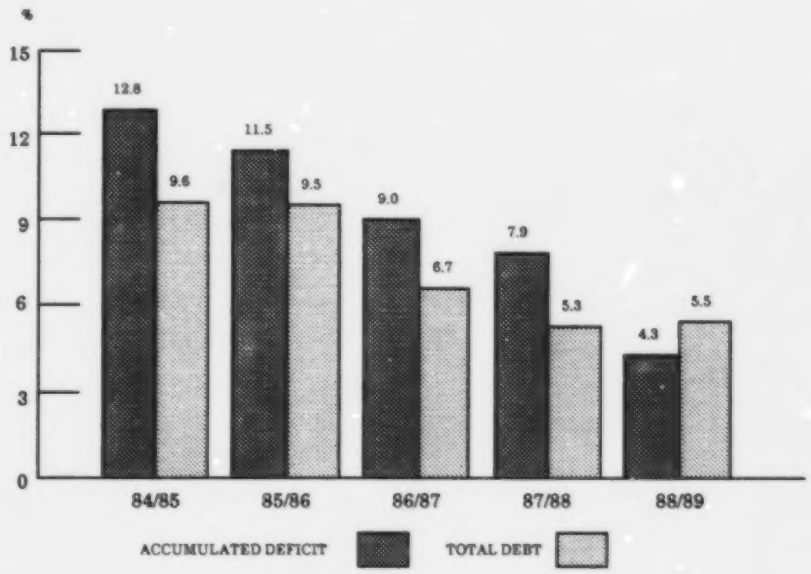
COMPARATIVE GROWTH
ONTARIO GDP AND ACCUMULATED DEFICIT
1984/85 to 1988/89



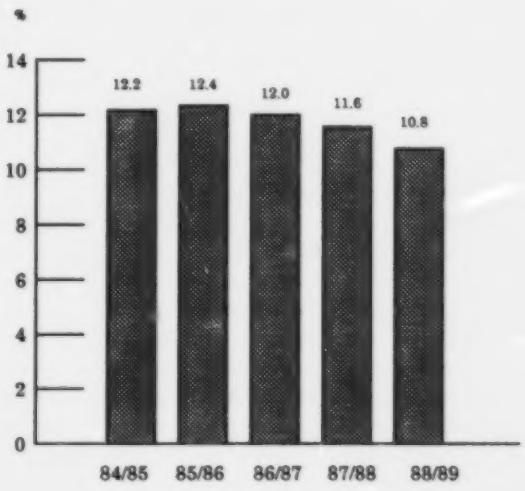
OTHER INDICATORS

There are other indications that Ontario is endeavouring to effectively manage its deficit position. While its accumulated deficit, and therefore its total debt, has been increasing for many years, the actual rate of increase is on a downward trend. The proportion of provincial revenue required to pay the interest charges on the outstanding debt is also decreasing. These trends are illustrated by the following graphs.

**RATE OF INCREASE
ACCUMULATED DEFICIT AND TOTAL DEBT
1984/85 to 1988/89**



**DEBT INTEREST AS A
PERCENT OF REVENUE
1984/85 to 1988/89**



Government Consulting Services

CREDIT RATING

Based on detailed analyses of financial and economic information, bond rating agencies in Canada and the United States develop bond rating scales for securities issued by various governments. The ratings vary from triple A for highly-rated investments to D for investments rated as low quality. A significant drop in rating will lead to an increase in the interest rate at which money may be borrowed.

These agencies have historically given Ontario very high ratings, usually triple A.

2.5 Observations on the Purchasing of Government Consulting Services

Management, information technology and technical consulting services acquired in the 1989 fiscal year by Ontario Government ministries amounted to $165 million.

SUMMARY

SCOPE AND OBJECTIVE

Our objective was to assess, on a cross-ministry basis, whether government policies and procedures relating to the acquisition of consulting services were being followed.

To achieve our objective, we reviewed consulting assignments at nine ministries, namely, Colleges and Universities, Community and Social Services, Education, the Environment, Government Services, Housing, Natural Resources, Revenue, and Transportation. These Ministries accounted for approximately 65 per cent of the $165 million in expenditures.

Our testing was based on a representative sample of consulting assignments. However, where we noted deficiencies, we extended our tests to enable us to conclude on the significance of our findings.

CONCLUSION AND FINDINGS

COMPETITIVE PURCHASING OF CONSULTING SERVICES

For the most part, ministries were following government policies and procedures for purchasing consulting services. However, instances were noted where ministries went through the motions of competitively tendering for assignments, but the process was really not open or fair to all bidders.

RELATED MATTER

Continued reliance on consultants is uneconomical.

Comments on Government-wide Matters and Special Reviews

BACKGROUND

Procedures relating to the purchase of consulting services are detailed in each ministry's policies and procedures manual. These are in addition to the minimum Government requirements for "Consulting Services" in Management Board's Directives and Guidelines.

The key principles in the Directive relating to the planning, purchasing and managing of consulting services are:

- Consulting services shall be acquired through a competitive process whenever possible with the objective of obtaining the best value for the funds to be expended.
- Consultants must be acquired in such a manner as to avoid any conflict of interest, not permit a vendor to gain a monopoly for a particular kind of work and not continuously rely on a particular outside organization.

COMMENTARY

Overview

In cases where a ministry estimates the cost of an assignment to be $25,000 or more, competitive acquisition procedures must be used. The procedures include a written request for proposals, written evaluation of proposals and written agreements.

The roster rotation method is used to select consultants normally without price competition. Price is negotiated subsequent to the selection of the consultant. This process requires Management Board approval and assumes buyer expertise, a recurring need for similar services, an up-to-date list of qualified vendors and well-defined ministry acquisition directives and procedures.

COMPETITIVE PURCHASING OF CONSULTING SERVICES

Based on our representative sample of consulting assignments, we concluded that ministries generally adhered to competitive acquisition policies and procedures. However, we noted several instances where ministries circumvented these policies and procedures. For example:

Unfair Competitive Selection Process - Ministry of the Environment

In our 1987 Annual Report, we questioned a $940,000 U.S. consulting contract awarded without tender by the Ministry. This contract involved the development of a computer model, known as the Acid Deposition and Oxidant Model (ADOM) model, for predicting the long-range transport of air pollutants.

Since completing the development of the ADOM in 1986, the U.S. consultant has been awarded four additional contracts totalling $456,000 U.S. to test the model.

The Ministry is a joint sponsor of the ADOM project, along with the Canadian Federal Government and organizations in the United States and West Germany. However, all costs related to these contracts are paid by the Ministry. The Canadian Federal Government provides data and computer time for the project.

Management informed us that two of the sponsors had insisted that all the assignments be awarded to the consultant who had developed the ADOM model. In a February 1986 letter discussing the ADOM plans over the next three years, the Director of the Air Resources Branch stated: **"It has been agreed that the same contractor will be retained to carry out this extra work". Nevertheless, the Ministry did go through the motions of competitively tendering the four contracts for testing the model.**

We questioned the rationale for obtaining competitive bids and the fairness of the process used since the chances of anyone else being awarded the contract were remote. For example:

- For one contract, bids were received in early November 1987. The incumbent consultant's bid was $142,000 U.S. while a bid of $130,000 Canadian was received from an Ontario company. After reviewing some of the proposed work with the consultant and suggesting changes, the Ministry requested the consultant to submit a revised bid. This opportunity was not extended to the Ontario firm. On November 18, 1987, the consultant submitted a new bid for $115,000 U.S., which still exceeded the $130,000 Canadian. A contract was signed with the consultant on December 10, 1987 for work to be done between December 1, 1987 and March 31, 1988.

  On January 5, 1988, after concerns were raised by the Ministry's purchasing department that the Ontario consultant had not been given the same opportunity to adjust its bid, the Air Resources Branch contacted the Ontario company. The company stated that it would now not be able to complete the assignment by the due date because two months had elapsed since the bid was submitted.

  In our opinion the bidders were not treated in a fair, equitable and responsible manner. This type of activity brings into question the credibility of the competitive bidding process.

- For another contract totalling $160,000 U.S., the purchase requisition prepared by the Ministry co-ordinator of the ADOM project in June 1988 requested that two scientists working on the model be awarded the contract without tender. The Air Resources Branch indicated that since the scientists were "necessary for the evaluation process and it cannot be obtained from any other consulting companies in Canada or the U.S., it is recommended that the above services be sole-sourced to the company for which these people work." **However, this sole-sourcing request was refused by the acting director of the Policy and Planning Branch and a request for proposals was sent out.**

  In our opinion, the detailed requirements were so restrictive that they could only realistically be met by the consultant who developed the ADOM model. For example, the request for proposals stated that "a person familiar with the development and all the details of the ADOM computer code" was needed.

  Although representatives from five firms attended a bidders meeting, only the U.S. consultant submitted a bid.

Comments on Government-wide Matters and Special Reviews

Unequal Consideration of Bids - Ministry of Education

In our review of consulting contracts we noted instances where all bidders' proposals were not given the same degree of consideration. For example:

- A consultant at the Ministry was hired to develop a new Integrated Payroll Personnel System to be used in 35 school boards. The main contracts for this project totalled $275,000 as follows:

  - $169,000 original (Nov. 18/85 - Dec. 31/87)
  - $ 70,000 follow-on (Jan. 1/88 - Sept. 30/88)
  - $ 36,000 new contract (Sept. 1/88 - Dec. 31/88)

  After the Ministry issued the $70,000 follow-on contract, to have offered the consultant another follow-on contract for $36,000 would have required Management Board approval since the total cost would have exceeded $250,000. Instead the Ministry tendered for the last contract which covered completing the development of the payroll component and pilot testing the personnel component of the system.

  The consultant who was already working on the assignment was awarded the contract although his bid was approximately $1,900 higher than the other bidder interviewed. The report on the selection process indicated that the consultant "has the most relevant and recent experience in Payroll and Personnel development."

  In the $70,000 follow-on agreement, the Ministry reasoned that the consultant was vital to ensure the continuity of system development. Therefore, it was highly unlikely that anyone else would have been awarded the new $36,000 contract. Accordingly, we felt that this contract should have been a follow-on agreement and not a new contract since the development work on the system was not yet complete.

- We reviewed 13 consulting contracts of the Information Technology and Systems Branch of the Ministry valued at over $50,000 each. For the 1989 fiscal year, **12 of the 13 contracts were awarded to consultants who had worked for the Ministry continuously since at least 1986 as programmers or systems analysts.**

  Given this situation, one must question the competitiveness of the tendering process.

Conflict of Interest - Ministry of Government Services

In 1986, the Ministry initiated the Metro Toronto Property Review study. Management wanted to hire a particular consultant because he had "many years of extensive experience in development planning" and his "professional experience with Government at several levels and his academic background makes him an ideal candidate for this project."

The consultant submitted a proposal to carry out the property review at a cost of $90,000. This included fees for acting as the project director and for two

sub-consultants. However, in August 1986 the Ministry decided to tender for the actual assignment and engage this consultant at a cost of $24,000 as a project co-ordinator. The project co-ordinator assisted in drafting the request for proposals and in selecting the consultant to do the study.

In September 1986, four bids for the study were received. **The project co-ordinator recommended two firms for consideration in the final selection process. We noted that subsequently, on October 1, 1986, the co-ordinator informed the project's steering committee of a conflict of interest involving the principals of a sub-contractor of one of the two final bidders.**

On October 21, 1986 the steering committee asked the project co-ordinator and the Manager of the Land Development Branch to interview the sub-contractors and make recommendations on the bids. On October 27, 1986 they recommended the firm with which the project co-ordinator had declared the conflict of interest. Although the firm's proposal was $20,000 higher than that of the other final bidder, the firm was selected as its proposal more closely met the study's requirements. The contract was signed in December 1986 for $130,000.

We recognize that the final decision for engaging the successful bidder was made by the steering committee. However, **in our opinion, due to the conflict of interest, the project co-ordinator should not have been involved in either the evaluation of the proposals or in recommending the consultant to be employed.**

ROSTER ROTATION METHOD OF SELECTING CONSULTANTS

Of the ministries we reviewed, only some areas of the Ministries of the Environment, Government Services, Natural Resources and Transportation were authorized by Management Board to use the roster rotation method. **We were satisfied that the roster rotation method at these Ministries was properly used and that all consultants were given an equal opportunity to obtain contracts.**

We also noted that the Ministry of Government Services had undertaken an initiative whereby competitive bids, including price, would be used in selecting architectural consultants for major capital projects valued at over $400,000. Previously, all architectural consultants were selected using the roster rotation method. This initiative was approved in principle by Management Board on May 9, 1989. The Ministry is required to submit an interim evaluation of this process to Management Board by June 30, 1990.

RELATED MATTER

Continued Reliance on Consultants Costly

Although Government Directives discourage continuous reliance on consultants, annual expenditures for consulting services have increased from $86 million in 1985 to $165 million in 1989. In most instances, continued reliance on consultants is uneconomical and could permit a vendor to gain a monopoly on a particular kind of work.

For example, during our audit of the Ministry of Education we noted that the Information Technology and Systems Branch and the School Board Services Unit have employed consultants on a continuous basis. We were informed that this is primarily due to a shortage of professionals willing to take employment and to budget shortages in the salaries account.

In the School Board Services Unit, 19 consultants have worked for periods ranging from two to ten years. The contracts were for one year and were generally renewed at the end of the term. **The cost of these consultants was approximately 70 per cent higher than salaries earned by employees occupying comparable positions within the Ministry.** For example, one consultant received a two-year contract for $170,000 to be a project leader.

Another consultant received a five month contract for $67,000 to be a project officer. In both cases, annual salaries for similar staff positions averaged $48,000 plus benefits.

We recommended that the Government review its increasing reliance on consulting arrangements. In some cases it may be advisable for the Government to hire additional staff to meet its needs.

RESPONSES

The Secretary of the Management Board of Cabinet commented generally on our report, and also provided Ministry responses to the specific matters raised.

GENERAL COMMENTS

"I am pleased that generally you found ministries were following the government policies for purchasing consulting services. In particular, I note you were satisfied that the ministries approved by the Management Board of Cabinet to use the roster rotation method of acquisition were using it properly and that all consultants were given an equal opportunity to obtain contracts.

"Staff of the Secretariat have been working closely with ministries to ensure that the principles spelled out in the policy are evident in their administrative procedures as well as their practices. As you are aware, ministries must report annually to Management Board on their ability to effectively manage the process of planning, acquiring and managing consulting services. The 1988/89 fiscal year's reports are currently being analyzed prior to presentation to the Board in early October. At that time ministry concerns with policy and any Secretariat concerns with the overall administration of the policy will be raised for discussion with Management Board.

"I also have taken the opportunity to share the findings in your report with all deputy ministers and requested that any weaknesses be addressed and appropriate controls be put in place."

COMPETITIVE PURCHASING OF CONSULTING SERVICES

Unfair Competitive Selection Process - Ministry of the Environment

"As stated in the Provincial Auditor's 1987 annual report, the Ministry revised its internal purchasing procedures to ensure that goods and services are awarded in accordance with Management Board of Cabinet Directives and Guidelines. Therefore, compliance with the competitive bidding process is a high priority.

"In the case of the ADOM model which is complex and has international ramifications, the program branch had a very strong case for sole-sourcing the contracts mentioned in this report. However, an administrative decision was made to comply strictly with government directives.

"Due to the complexity of the model, expertise in this area is very limited; nevertheless, the Ministry is gradually exposing consultants, other than the U.S. consultant, to the model by tendering work of a less complex nature. This practise will continue.

"To date, contracts have been awarded to other consultants, including the unsuccessful bidders for the development of meteorological and emission data fields. These contracts are for input to the ADOM and for scientific support in the evaluation of the ADOM.

"Contrary to the audit observation, the Ministry did not change any of the specifications of the assignment but merely requested a price quotation from the U.S. consultant restricted to the workscope specified in the Request For Proposal (RFP). The U.S. consultant had provided a price quotation on a workscope which exceeded the RFP specifications. Also, with regard to costs, all parties provide staff time and resources to the project. In particular, Environment Canada provided the input meteorological data and CRAY computer time with a commercial value of $100,000 for this project."

Unequal Consideration of Bids - Ministry of Education

"In hindsight the $36,000 contract which was tendered perhaps should have been treated as a follow-on agreement. School Board Services Unit had planned to have this project manager position filled with a complement staff by September 1, 1988 but School Board Services Unit was unsuccessful in filling this position by that time and needed to obtain a skilled and experienced project manager on relatively short notice.

"School Board Services Unit believed that it would take considerably longer to obtain Management Board approval for a contract follow-on than to tender for a new contract and therefore the tendering route was undertaken. Effective January 1, 1989, this position was filled by a complement staff."

Conflict of Interest - Ministry of Government Services

(The conflict of interest) . . . *"consisted of holding an interim mortgage in a development in which an employee of the sub-consulting firm was involved.*

The Auditor's report states that the conflict was declared after the evaluation of proposals was received. . . . *"In fact the declaration was submitted concurrently with the report on the preliminary review of the bids received.*

"The project co-ordinator was not aware of any conflicts prior to the Ministry receiving the bids as part of the competitive process. In addition, it should be noted that although the preliminary review team consisting of the project co-ordinator and a senior Ministry manager made recommendations regarding the two proposals which met the study requirements, the responsibility for final selection rested with an inter-ministerial steering committee representing six ministries. The committee made its selection based on interviews, assessment of professional credentials and the firms' capacity to undertake the work.

". . . the Auditor's report states that '. . . The project co-ordinator recommended two firms for consideration.' The Ministry only received four proposals out of the eleven candidates invited to submit, and two were rejected immediately since they did not meet the Ministry's minimum criteria. There were only two bids left for the steering committee to consider."

RELATED MATTER

Continued Reliance on Consultants Costly

"All of the Provincial Auditor's examples and consulting assignments cited relate to the use of systems consultants in two branches of the ministry (of Education) *as an alternative to classified employment. This practice began many years ago when systems consultants were in high demand and could not be attracted through normal recruitment processes. The practice, once established, became difficult to reverse because of expertise built up in consulting staff and because salary budgets are limited.*

"However in 1987 the ministry began making concerted efforts to eliminate the practice with the result that the Information and Technology Branch has converted 33 positions from consulting contracts to employment and will close the last 3 of these consulting relationships during 1989-90. The School Board Services Unit has converted 24 consultant contracts to employment and will complete the conversion of the remaining 5 by March 31, 1990.

"The professionals hired under this practice were consultants, but their assignments and contract terms had many similarities to employment. This made compliance to the Management Board directive very difficult. The ministry recognized the perception of unfair access and inappropriate continued reliance on consultants and began the phase-out process."

2.6 Observations on Government Overtime Payments

In 1988/89, Ontario Government ministries incurred over $81 million in overtime payments. Overtime payments represented approximately 2.5 per cent of salaries and wages for the Province.

Government Overtime Payments

SUMMARY

SCOPE AND OBJECTIVES

Our audit objectives were to determine on a cross-ministry basis, whether overtime:

- was incurred only when necessary; and
- was the most economical means of completing the work.

We reviewed overtime payments at five ministries - Correctional Services, Health, Natural Resources, Solicitor General and Transportation. These Ministries accounted for 65 per cent of the $81 million in payments.

CONCLUSIONS AND FINDINGS

For the most part, overtime was incurred only when necessary. Employees worked overtime in order to perform the work of individuals absent due to illness, or to handle additional work which was not predictable or avoidable.

Overtime was generally the most economical means of completing the work. However, in some cases, hiring additional staff would reduce overtime and result in savings to the Ministries.

BACKGROUND

Overtime is incurred when eligible ministry employees work more than their regular working hours. Compensation for overtime can take the form of either payment or "time off in lieu." Overtime payments are normally made at one and one-half times the employee's basic hourly rate. Time off in lieu is compensating time off rather than payment for overtime worked. Our audit focused on overtime payments.

COMMENTARY

NECESSITY OF OVERTIME

For the most part, overtime was incurred only when necessary.

Ministry of Health

Psychiatric Hospital Nursing Services

We audited overtime expenditures at one of the Ministry's psychiatric hospitals. The hospital incurred 24,000 hours of overtime. The cost of this overtime was approximately $560,000, the equivalent of 14 full-time positions.

Hospital employees often work overtime to perform the work of staff absent due to illness. Without this overtime, the facility would not be able to maintain a minimum level of service.

In 1988, Government employees took an average of 9.5 sick days. However, at the psychiatric hospital, the average number of sick days was 13.

Reducing absenteeism could result in significant savings to the Hospital. For example, if the number of sick days decreased to the provincial average of 9.5, overtime savings would be approximately $135,000 per year. Therefore, we recommended that an attendance improvement program be instituted to reduce absenteeism.

Emergency Ambulance Services

Nine of the Province's 190 emergency ambulance services are operated by the Ministry of Health. The remainder are privately operated.

We reviewed two Ministry-operated ambulance services which incurred $562,000 in overtime costs for the year ended March 31, 1989.

The emergency ambulance service has the highest number of person days lost to sickness and employee injuries in the Ministry. For the two ambulance services reviewed, work days lost to sickness and injury averaged 20 days per employee per year.

In order to maintain a minimum level of service, absent employees must be replaced. **Approximately 30 per cent of overtime was incurred due to sickness or injury. Reducing such absences would result in significant savings to the Ministry.**

This has been recognized by the Ministry. A December 1988 report, prepared by the Ambulance Services Branch, stated that one of the main reasons for the ongoing over-expenditure in salaries and wages at year-end was the "costs of paid absence replacements for areas such as training, sick time and workers compensation replacement." The report recommended an increased management awareness of attendance review programs.

At the time of our audit, overtime incurred to compensate for sick or injured staff had been reduced approximately 80 per cent over the prior year. In part, this reduction was attributable to a new corporate policy. Absent classified staff are to be replaced either by part-time staff at the regular rate or by the allocation of work to neighbouring privately-operated ambulance services.

Ministry of the Solicitor General

$13.2 million, over 95 per cent of the Ministry's total overtime expenditure, was incurred by the Ontario Provincial Police (O.P.P.). This represents approximately five per cent of the O.P.P.'s total payroll.

Given the nature of police work, overtime is unavoidable. For example:

- In areas such as surveillance and narcotic investigations, continuity beyond a regular eight hour work day is often essential.

- Officers attend court as witnesses. Since the court appearance may not occur during an officer's regular shift, payment is made on an overtime basis.

- In cases where an officer is absent, the replacement must be another full-time officer since there are no part-time or contract police officers.

REGARD FOR ECONOMY

Overtime was generally the most economical way to meet needs, considering available staff resources. However, there are opportunities for reductions in overtime expenditures. This would usually require the hiring of additional staff.

Overtime is paid at time and one-half. As a result, payment of regular or part-time staff at straight time would cost only 66 per cent as much as overtime.

Ministry of Health

The psychiatric hospital we audited had requested approval to add 6 full-time and 24 part-time nurses. The hospital indicated that hiring the nurses would lead to a significant reduction in overtime, thus making more effective use of nursing funds. The request was not approved by the Ministry who stated that it would be reconsidered as funds became available.

Assuming all overtime hours could be performed by additional staff working at regular rates, the savings to this hospital would be approximately $180,000 per year, minus additional fringe benefits.

Ministry of Correctional Services

Overtime is primarily incurred in provincial detention centres. Absent correctional officers normally have to be replaced to maintain a minimum level of service and security.

A "Staff Review" report, prepared for one correctional institution in January 1989, indicated that it had been the practice to apportion work caused by absent staff between regular staff on overtime and unclassified staff. However, in the month prior to the report, absent staff were replaced primarily by unclassified staff at regular rates. The report noted that this resulted in a reduction of $25,000 in salary expenditures for the month in that institution alone.

If 50 per cent of overtime was replaced by work at regular rates, total savings to the Ministry would be approximately $2 million per year, minus fringe benefits.

RESPONSE

The foregoing comments were included in a report dated August 30, 1989. Consequently, the Management Board Secretariat has not had an opportunity to formally respond.

Comments on Government-wide Matters and Special Reviews

2.7 Observations on Government Travel Expenditures

Total travel expenditures were $95.2 million for the 1988 fiscal year. Approximately 75 per cent of that amount was incurred by 12 ministries: Agriculture and Food, Attorney General, Citizenship, Community and Social Services, Correctional Services, Culture and Communications, Environment, Labour, Natural Resources, Revenue, Solicitor General, and Transportation.

SUMMARY

SCOPE AND OBJECTIVE

We examined travel claims made by employees of twelve ministries to assess whether Government policies and procedures related to travel expenses were followed.

CONCLUSION AND FINDINGS

Overall, Government policies and procedures for travel expenses were satisfactorily followed. At three Ministries (Agriculture and Food, Revenue and Transportation), adherence to policies and procedures was strong. This was primarily due to well-established internal review procedures.

There is no reason why all ministries should not be achieving this level of compliance. At the other nine Ministries, there were numerous examples where employees disregarded the policies and procedures, particularly those related to transportation and accommodation. The most significant of these were not selecting the most economical mode of transportation and not minimizing costs.

To a great extent, these compliance problems were due to a lack of proper scrutiny by individuals approving claims. Ministries should more closely monitor employee expenses to minimize any abuses.

We found many examples where:

- **The most economical mode of transportation was not selected.**
- **Full-size luxury cars were rented.**
- **More expensive hotels were booked.**
- **Questionable expenses, including personal items, were reimbursed.**
- **Ministers were reimbursed for expenses which would not normally be paid to other employees under existing Government guidelines.**

Although the amounts involved in the examples cited may seem small, these individual instances represent common inadequacies. Collectively, then, these findings are significant and demonstrate a lack of respect for taxpayers' funds.

Government Travel Expenditures

BACKGROUND

Principles and mandatory requirements are contained in the Management Board's Directives and Guidelines (Travel, Meal, Hospitality and Membership Fee Expenses). The key principles for employee expenses are that:

- expenses associated with the performance of duties as an employee should minimize cost and maximize the benefits to the organization; and
- the most practical and economical arrangements for travel, meals, accommodation, hospitality and membership fees must be made.

COMMENTARY

UNCLEAR RESPONSIBILITY FOR TRAVEL EXPENSES

The primary responsibility for ensuring that expenses claimed are in accordance with Government policies and procedures rests with the employee. However, reimbursement can only be made upon proper approval by the claimant's supervisor.

All travel expense claims we reviewed were signed by the claimant's supervisor. However, in many instances, **Government guidelines with respect to legitimate work-related expenses were not followed, yet no explanations were provided.** Furthermore, **there was an absence of several basic controls required to ensure due regard for economy, such as scrutinizing claims and supporting documentation before reimbursement.** In particular, six Ministries stated that, as long as the claim was properly approved, the accounts branch, which processes the claims, would not normally question any travel expenses claimed.

This indicates that the approver was assigned the responsibility of checking claims. In light of the number of errors found, this responsibility had either not been conveyed or, if it had, it was not taken seriously.

TRANSPORTATION

Uneconomical Air Travel

We noted many cases in which uneconomical air travel arrangements were made and no explanations were provided.

For example:

- At Environment, four employees travelled to the same conference in Sweden. Airfares paid for the four employees were approximately $1,300, $1,900, $2,000 and $2,900, respectively. The highest fare was for an executive class ticket, while the others were economy class.

  The Ministry advised that the Office of the Premier did not approve the travel until ten days before departure. Therefore, staff could not take advantage of special fares available for booking more than 21 days ahead. However, the employee who paid the lowest fare, booked 23 days in advance. Furthermore, the most expensive ticket cost $1,000 more than the other two booked the same week.

In total, the approval delay and a lack of co-ordination in booking tickets resulted in additional costs of $2,900.

- In three cases, employees incurred significantly higher costs by flying executive, not economy, class.

  One case involved an employee of the Attorney General who flew executive class to Vancouver at a cost of $1,100 when the regular economy fare on that flight was $850.

Excessive Automobile Rental Costs

When renting cars, employees are required to use the list of approved vendors in the "Car Rental Directory" issued by the Ministry of Government Services. These vendors offer discounts.

The Directory states that "every effort should be made to use the least expensive car rental agency in each location" and that "sub-compact and compact cars should be used wherever possible."

We noted numerous instances where:

- **employees did not obtain the Government rate;**
- **vehicles were not rented from the least expensive agency; and**
- **luxury vehicles, such as Cadillacs, Lincoln Continentals and Fifth Avenues, were rented instead of sub-compact or compact cars.**

The most significant of these infractions was the rental of luxury cars, which cost between $42 and $60 per day. A compact car could have been rented for an average of $30 per day. For example:

- At the Ministry of Correctional Services, an employee rented a Buick LeSabre for 16 days at a total cost of over $700, when a compact car would have cost only $400. In another instance, an employee paid over $250 to rent a Cadillac Sedan deVille for 6 days instead of $180 for a compact car.

- At the Ministry of the Attorney General, a number of members of the Ontario Municipal Board rented cars which cost significantly more than compact cars. One member paid $60 and $0.16 a kilometre, for a total cost of almost $100, to rent a car for one day.

  Another member rented a van for 5 days at a cost of $50 per day. According to rates negotiated by the Ministry of Government Services, a full-size sedan would have only cost $30 per day with no charge for kilometres driven.

  Subsequent to our audit, the Deputy Attorney General decided that Ontario Municipal Board members are no longer required to abide by the Directive that the rental of automobiles be confined to compact vehicles. The waiver was given because:

"so much of the Board's activity involves driving to hearing locations in all parts of the province and in all kinds of weather, and having regard also to the necessity for the members to arrive at scheduled hearings on time."

As well, the Deputy stated that members "should act under the waiver with some regard to the spirit and intent of the Directive."

The Directory also states that vehicles "should be returned to the agency by the renter with a full tank of gas." This is primarily because rental agencies charge significantly more for fuel than gas stations.

We found that this was not consistently followed. For example, members of the Ontario Municipal Board frequently pay for refueling at the rental agencies. We extended our testing to 229 invoices and found that 174 had refueling charges which ranged from $0.65 to $0.71 per litre, while gas stations were charging approximately $0.47. The extra cost to the Ministry of the Attorney General amounted to $900.

ACCOMMODATION

Higher Cost Hotels Used

Management Board of Cabinet Directives state that when travelling on Government business, where practical, employees must use approved establishments listed in the "Hotel/Motel Directory," published by the Ministry of Government Services.

The 1988 Directory has two sections. The preferred section lists hotels with acceptable business rates and the supplementary section lists hotels with discounted rates which exceed the maximum in the preferred section. Hotels in the supplementary section should only be used when appropriate accommodation is not available at hotels listed in the preferred section.

In many cases, employees selected hotels listed in the supplementary section. **Some employees were incurring costs ranging from approximately $100 to $150 per night when hotels in the preferred section would have cost a maximum of $70.**

In addition, **some employees paid more than the Government rate listed in the Directory.** For example, on 18 occasions Attorney General employees stayed at a hotel in North Bay and paid $100 a night when the Government rate was $55 a night. The extra cost totalled over $750.

We note that the 1989 Directory has combined the two sections into one. In our opinion, having a preferred section encouraged employees to minimize costs.

Prudence was also not exercised at hotels out of the country. For example:

- Two employees of the Ministry of Culture and Communications attended the same conference in San Francisco. One paid approximately $100 a night while the other paid about $150 a night to stay at another hotel. This cost the Ministry an extra $375.

- Five employees of the Ontario Film Development Corporation attended two conferences at the same hotel in Los Angeles. Two of the employees stayed at a hotel for $175 a night, while the other three stayed at another hotel for over $250 a night. The additional cost to the Ministry of Culture and Communications amounted to $1,700.

- One Natural Resources employee attended a conference in Boston and charged $250 a night for three nights. The conference was not held at the hotel where the employee stayed.

RELATED MATTERS

Travel Expenses Reimbursed without Proper Receipts

A basic control procedure for employee expenses includes ensuring that receipts are included with the expense claim, wherever possible. We noted that many reimbursements were made without a receipt. For example:

- One employee (Culture and Communications) was reimbursed over $500 for seminar fees.

- One employee (Transportation) was reimbursed almost $270 for 11 parking and 7 limousine charges.

Questionable Travel Expenses

There were numerous examples of questionable expenses being reimbursed through travel claims.

- An Environment employee, who combined a vacation with business travel in Europe, charged the Ministry for some vacation costs. The total overcharge of $400 included additional airfare, meals and accommodation.

- An employee of the Solicitor General claimed $950 for personal clothing. As a uniformed firefighter, who was seconded to the Ministry, this purchase was authorized because the employee was required to wear civilian clothes while working for the Ministry.

- One employee of the Ministry of Agriculture and Food overcharged approximately $350 on travel claims between April 25, 1987 and March 10, 1988. This occurred when expenses incurred in United States dollars were converted to the Canadian dollar equivalent at rates higher than the actual rates.

Questionable Travel Expenses Claimed by Ministers

Ministers' travel expenses are not covered by Management Board Directives. However, the "Ministers' Handbook", prepared by Cabinet Office, provides basic information to ministers.

Government Travel Expenditures

The Handbook only requires ministers to disclose expenses under two headings: "travel expenses" and "other expenses." The former is to include expenditures for transportation, meals and accommodation, while the latter includes any other expenses. Further details relating to the "other expenses" category may be provided at the discretion of the minister. In our opinion, further clarification is required as to what types of expenses are permitted for ministers. Ministers are not required to submit receipts with their request for reimbursement.

It should be noted that three other provincial governments we contacted (Quebec, British Columbia and Nova Scotia) all had specific policies for ministers in their directives. In those provinces, ministers are to follow the same rules as government employees.

We noted numerous examples where **ministers were reimbursed for expenses which would not be permitted for other employees under the existing Management Board Directives.** Specifically:

- $6,300 for a staff Christmas party;
- $3,700 for a retirement dinner;
- $1,100 for annual membership fees to a social club;
- $200 for a reception for an employee of a minister's office to mark a 25th anniversary with the Ontario Government; and
- several claims by a minister, totalling $425, for dry cleaning. The service was incurred in Toronto by a minister resident in the Toronto area and not while on extended travel status.

RESPONSES

The Ministries generally accepted the recommendations and indicated that corrective actions were either planned or had already been taken.

The following are some extracts from responses received:

UNCLEAR RESPONSIBILITY FOR TRAVEL EXPENSES

Management Board of Cabinet

"Working in close co-operation with ministries through the Committee on Employee Expenses, issues in this area are addressed and discussed on an ongoing basis. As well, the Secretariat provides training sessions for ministries with respect to all of the areas addressed in the directives and guidelines. Recent training has occurred with ministries, focusing on employee travel expenses. As a further support to ministries, the guideline on travel is currently being amended to include some further suggestions for ministries to consider in their development of controls and accountability for ensuring that expense claims are properly reviewed and approved."

Comments on Government-wide Matters and Special Reviews

TRANSPORTATION

Uneconomical Air Travel

Ministry of the Environment

"The Ministry acknowledged to the Provincial Auditor that improved planning and co-ordination is required in order to eliminate future occurrences of this nature. The fact that three out of the four employees were located in different Branches and used three different travel agents resulted in dissimilar travel bookings. It is now obvious that inconsistent information was provided by the travel agents on the most economical rates, routes and available class of fares.

"The Ministry has taken a number of steps to avoid similar situations from arising in the future:

(a) Specific instructions have been given to senior staff to be more diligent when authorizing and approving air travel and to ensure that the most economical air fares are obtained.

(b) In line with Central Agency policy, the Ministry has tendered for a centralized Ministry travel service."

Ministry of the Attorney General

". . . our Ministry had committed a speaker to attend the Young Offenders Conference in Vancouver . . . the designated speaker was unable to attend. It was necessary that his substitute take a business class flight on short notice."

Excessive Automobile Rental Costs

Ministry of Correctional Services

"Following the audit review, a memo was sent to all ministry managers re-emphasizing the government policy with respect to the renting of vehicles, and this situation will continue to be monitored."

Ministry of the Attorney General

". . . the member had requested a mid-size car. Unfortunately, the only car available was a full-size Caprice which he took in order to meet his hearing schedule.

"The member who rented the van was travelling during a winter weather advisory in Muskoka. The only vehicle with snow tires available from the agency was a van.

"Board Members . . . have occasionally not followed 'the fill-up' directive. They have been advised to do so in future."

ACCOMMODATION

Higher Cost Hotels Used

Ministry of Culture and Communications

"The employee who paid $152.00 a night had originally booked a room at $100.00 a night. On arrival at the hotel he was advised that there were no rooms available at that price. He then had the choice of accepting what was available at the hotel or start looking elsewhere. Because of the time of year and the lack of knowledge as to what might be available, he accepted the room at the hotel. The costs was $152.00 a night. The ministry believes that this is a reasonable explanation. However, the ministry now centralizes bookings through (a travel agent), *and this will provide more documentary evidence and better control in the future.*

"As described under the item 'Uneconomical use of Rented Automobiles', the decision for the head and the senior marketing consultant of the Location Promotion and Services program to attend Location Expo was made months in advance and accommodation was secured in the hotel where the trade show was taking place as in previous years. Meetings were not held in these rooms as staff worked the OFDC booth during the day. When the decision was made to establish a Sales and Distribution presence at the American Film Market (an entirely different conference) and for the acting CEO to attend both trade shows, hotel rooms were scarce. More importantly, because of the nature of this conference, a quiet location was needed for business meetings/dinners with potential co-venture partners and distribution companies. The hotel was chosen because of its reputation as a spot for meetings with U.S. film producers. Funds were saved by not paying the exorbitant rates for meeting rooms as the suites have a meeting room."

Ministry of Natural Resources

"This accommodation was the only available alternate accommodation offered by the World DEC conference organizers. The only other accommodation offered to our employee was in the luxury ocean liner Queen Elizabeth II which was brought in for the conference. The accommodation selected was more reasonably priced that the other conference accommodation available.

"The magnitude of this conference and other conferences in the city resulted in an extreme shortage of alternate accommodation being available. Under the circumstances the decision was to accept the accommodation arranged for by the conference organizers."

RELATED MATTERS

Travel Expenses Reimbursed without Proper Receipts

Ministry of Culture and Communications

"Because the original receipt had been misplaced, the claim for seminar fees was accepted by the approving officer because of knowledge of the purpose of the trip and because the attendant circumstances supported attendance at the seminar. However, a copy of the receipt has now been obtained.

"Staff have been advised that receipts or other supporting documentation, as required, must be attached to claims for reimbursement."

Ministry of Transportation

"We consider the problem to be an isolated incident, and have advised the one employee concerned to provide receipts in future."

Questionable Travel Expenses

Ministry of the Environment

"The Ministry generally agrees with this finding, and has requested the employee to repay the inappropriate expense."

Ministry of the Solicitor General

"Municipal fire departments commonly reimburse uniformed fire fighters when required to wear civilian clothing. Further, it was this ministry's intention that this secondee not be 'out of pocket' as a result of the secondment. Since the fire fighter would be lecturing as a representative of the ministry it was not considered appropriate that he wear the uniform of his municipal fire department.

"A parallel was also drawn with plain-clothes police officers who receive a clothing allowance."

Ministry of Agriculture and Food

"The one employee who overcharged for U.S. exchange rates on her travel claims by $345 over 11 months has fully reimbursed the Ministry."

Questionable Travel Expenses Claimed by Ministers

Office of the Premier

"As a result of our thorough review of the issues cited, and our shared concern about a lack of clarity in the guidelines, we have updated the Ministers' handbook to incorporate procedures similar to those followed by government employees.

". . . we have recovered the monies related to personal expenses for membership fees to a social club and the claims for dry cleaning. We have taken appropriate action to reinforce the importance of adherence to expense procedures which have been clarified . . . to be more in line with the directives for other employees."

2.8 Inspection Audit, University of Guelph, Ministry of Colleges and Universities

The University of Guelph was incorporated in 1964 under the University of Guelph Act. The University employs 4,500 employees. Approximately 760 are faculty. They offer undergraduate and graduate programs to over 12,000 students.

The University received $91 million in operating grants from the Ministry of Colleges and Universities during the 1989 fiscal year. Operating grants to all universities in the province totalled $1.6 billion.

Inspection Audit, University of Guelph

SUMMARY

SCOPE AND OBJECTIVE

Our audit objective was to assess the adequacy of the University's accounting records and related procedures. Specifically, we examined whether:

- enrolment data reported to the Ministry for funding purposes was accurate and complied with guidelines established by the Ministry and by the University;
- assets acquired were properly controlled and accounted for;
- controls over operating expenditures and payroll transactions including sabbaticals were adequate, and that such expenditures were made in accordance with the policies and procedures established by the Board of Governors.

By agreement with the University, our audit was restricted to expenditures funded by grants from the Ministry of Colleges and Universities. Accordingly, we excluded the agricultural research grants provided by the Ministry of Agriculture and Food. Also, any expenditures paid for through other funding sources such as federal grants, special donations or ancillary revenues (bookstore, student residences, etc.) were excluded.

CONCLUSIONS AND FINDINGS

ENROLMENT REPORTING

Improvements were required in enrolment reporting procedures. Many students were improperly reported, resulting in higher enrolment for funding purposes.

PLANT ASSETS

The University's position is that the costs involved in establishing an adequate system of control over plant assets exceed the possible losses that could occur from lost or stolen assets. Accordingly, there were few central controls governing the safeguarding of assets.

PURCHASING AND PAYMENT PROCEDURES

Generally, established purchasing and payment procedures were followed and reflected good business practices. However, we noted:

- **A substantial contract to supply microcomputer equipment was questionably awarded.**
- **No one had to approve the former president's personal and travel expense claims.**

PAYROLL AND EMPLOYEE BENEFITS

Although payroll and benefit transactions were well-controlled, we noted:

- **At the end of his four and a half year contract in 1988, the outgoing president was given over $100,000 to take early retirement, even though the University was under no obligation to renew his contract.**

- **The incoming president's contract made provisions for substantial employee benefits.**

SABBATICAL (STUDY/RESEARCH) LEAVE

Controls over sabbatical leaves were unsatisfactory. Specifically:

- **Employees on sabbatical leave often were not paid in accordance with pay rates established by University policy.**

- **Several employees did not comply with the policy on reporting the results of their study/research leave.**

COMMENTARY

ENROLMENT REPORTING

The allocation of operating grants to the various universities is based primarily on their reported enrolment figures. The higher the enrolment, generally speaking, the higher the operating grant.

Accordingly, a prime audit concern is the accuracy of the reported enrolment. Similar to our experience at the first university we audited, and reported on in our 1988 Annual Report, we found several inaccuracies in the computation of reported enrolment at the University of Guelph.

We outlined our findings in considerable detail in our report to the University, a copy of which was also sent to the Ministry. In essence we found:

- **For over 10 years, the University had been reporting many students who were no longer attending the University.**

- **Many first year students were classified as upper years Honour students resulting in higher reported enrolment. Upper year Honours students generate 50 to 100 per cent more funding than do first year students.**

- **Differentiation between Honours and General Arts and Science students was open to wide interpretation and hence to inequities. Honours Arts and Science students generate 50 to 100 per cent more funding than do General students.**

Both the University and the Ministry responded to these findings and their comments are summarized as follows:

- The University maintained that the Ministry had approved the reporting of certain students who were no longer attending, in recognition of Guelph's unique semester system. The Ministry advised that approval was granted for one year only, 1977, and that instructions had been issued to all universities in 1978 effectively prohibiting the practice. However, the Ministry felt that the University's action in continuing to report such students was the result of a legitimate misunderstanding and should not occur in future.

- The University is addressing the misclassification of first year students and is developing a method of ensuring more precise classification of all first year students.

- The University believes that the criteria it has established to differentiate Honours students from General students are appropriate. By allowing each University to establish its own criteria, however, the Ministry recognizes the difficulty of obtaining consistency across the whole community. Accordingly, the Ministry has referred the matter to the Ontario Council on University Affairs for advice and recommendations.

Both the University and the Ministry tended to downplay our findings since the errors identified during our audit represented only 1.9 per cent of reported enrolment. Under existing procedures an error rate of up to 2 per cent is considered tolerable.

Nevertheless, we are concerned. **Based on our university audit experience to date, errors and interpretations found in enrolment reporting most frequently result in reported enrolment exceeding actual enrolment. Therefore, these errors and interpretations are much more likely to generate overfunding than underfunding to a particular university.**

PLANT ASSETS

Poor Safeguarding of Assets

The University had no central plant asset inventory listing to keep track of its furniture and equipment assets. These assets had a book value of $78 million. We found that:

- With the exception of audio-visual equipment maintained by the Technical Operation Department, most assets were not identified as University property.

- No annual or periodic physical count of furniture and equipment assets was taken, primarily because no listing of such assets had ever been prepared for control purposes.

- A formal policy for loan of equipment to staff did not exist. Movement of assets was generally not documented.

The University advised us that once assets are acquired and assigned to a department, few central controls are maintained. In essence, each department is accountable for its assets. The University believes that this is more cost-effective than a centralized control process.

The University maintained that individual departments have sufficient incentive to protect their assets because each department is responsible for the first $5,000 of loss or damage to assets. (This is the deductible portion under the University's insurance coverage.) We questioned whether this policy could be effectively monitored by Administration.

Comments on Government-wide Matters and Special Reviews

PURCHASING AND PAYMENT PROCEDURES

Good Purchasing and Payment Practices

Purchasing expenditures for the year ended April 30, 1988 were $38.4 million. Typical expenditures include computer equipment, scientific equipment and office furniture.

We were generally satisfied that the University's purchases followed approved policies and good payment practices. For example:

- Purchase requisitions were properly prepared and authorized by the University departments.
- Items were ordered through the purchasing department to ensure good buying practices.
- Invoices presented for payment bore evidence of receipt of goods, were matched to applicable orders, and were cancelled to prevent duplicate payments.

Questionable Competitive Selection Process for Microcomputers

In the 1986 fiscal year, the University renewed a contract for supply, delivery and installation of microcomputers and related accessories with the local supplier. Purchases from this supplier were $982,000 and $830,000 for the 1986 and 1987 fiscal years respectively. There were several unusual circumstances involved in the awarding of the contract.

In 1985, a formal Request for Proposal with sealed bids was called for the supply of computer equipment, beginning in January 1986. Based on an extensive analysis, including a survey, vendor presentations and technical evaluations, a selection committee recommended a new supplier. **The committee indicated that the new supplier offered superior price, service, support, and comparable quality and delivery.**

After a 30-day trial period with the new supplier, the contract was subsequently renewed with the local supplier. The factors which altered the original recommendation are questionable. Specifically:

- New bids were requested due to changes in import duty rebates even though these applied to all dealers equally.
- Revised prices were compared using a different sample of items than the original tender.
- Management solicited only the local supplier to further submit at least two bids, both times permitting the supplier to lower the price. There was no indication that the other suppliers were even asked to re-submit bids.
- Location was mentioned as something that "may cause an inconvenience." However, no evidence was introduced to justify altering the original decision that location should not be a determining factor.

Both the original and the revised recommendation stated that the new supplier "was first choice for reasons other than low price, i.e. service, support, order follow-up and product information." However, the final recommendation selected the local supplier based primarily on price, even though the new supplier's prices were lower.

Approval of Former President's Expense Claims

University policies require that all claimants obtain approval for the expenses they incur on University business. **However, during the former president's term in office, which ended June 30, 1988, independent approval was not obtained for his expenses.**

The president's contract permitted the reimbursement of all reasonable expenses incurred in the performance of University duties. The contract also allowed spousal expenses when in the University's best interests. As a result of our audit, members of the Board reviewed all such expenditures for the year ended April 30, 1988 in detail and were satisfied that these expenses were reasonable, and that travel expenses were incurred as part of the president's fund-raising campaign.

We understand that the Board now requires all personal expenses of the president to be approved by the vice-president, Administration, and reviewed by the chairman semi-annually.

PAYROLL AND EMPLOYEE BENEFITS

Adequate Processing Controls

In the 1988 fiscal year, payroll expenses of $113 million constituted over 75 per cent of total operating fund expenditures of $144 million.

The payroll operation is a computerized system created in-house. All employees are paid bi-weekly. We tested the controls over the payroll function and observed:

- **Adequate separation of duties existed between authorization of payroll information and the processing and distribution of the bi-weekly payroll.**
- **Adequate supervisory review and approval existed over the payroll function.**
- **Payments made to University employees with respect to wages and salaries were accurately calculated and approved.**

Questionable Retirement Benefits

The former president had previously been employed by the University from 1948 to 1970. He returned as president for a contracted term of four and a half years, from January 1984 to June 1988. The contracted salary in 1987/88 was $148,500. He also received $24,750 annually in lieu of administrative leave. His employment contract stipulated that he would not participate in the University's pension plans.

When his contract expired on June 30, 1988, he received an Early Retirement Option (ERO) payment of over $100,000. According to the University, the Board initiated the ERO so that members could retire early and young academics could then be hired. The ERO entitled the employees to receive their regular retirement pension payments and also receive a special lump sum cash payment.

The ERO payment to the president was questionable because he was a contract employee and there was no obligation on the University's part to renew the contract when it expired. Therefore, there was no need to offer an incentive for "early retirement."

Upon expiry of the contract, the president assumed tenured professor status. The University maintained that the ERO was granted to him in that capacity. However, the relevant contractual provision placed no financial obligation on the University:

> "After the termination of their Agreement . . . the appointment . . . as a professor with tenure shall continue but he shall not be obliged to render any service to the University as a result of such appointment nor shall he be entitled to receive any compensation from the University unless the parties hereto agree."

In any event, **we questioned the amount of the ERO payment. The calculation was based on his president's compensation ($173,250) rather than on a professor's salary. If calculated on the basis of the salary payable to a professor, the ERO payment would have been about $50,000 less.**

We also noted that, on retirement, the president received in excess of $30,000 for 48 vacation days. This is the maximum he could accumulate according to University policy. However, no records were kept either by Personnel or by his own department of any vacation days accumulated or taken.

The University maintained that the president rarely took vacation during his term in office. However, University policy requires that each department maintain vacation records.

Employee Benefits

During our review of the incoming president's contract, we noted:

- A $235,000 interest-free mortgage loan was given to purchase a house in Toronto. Monthly payments of $500 are to be made to the University for the reduction of mortgage principal. The principal balance is due in full, at the option of the University, on termination of the contract.

- There was a provision for a paid nine-month administrative leave at the end of his term in office.

- A car and driver were provided for the president's use.

The University advised us that these arrangements were necessary to secure the services of the president of choice and were not unusual.

SABBATICAL (STUDY/RESEARCH) LEAVE

Overview

Faculty can apply for sabbatical leave (also known as Study/Research Leave) after six years of full-time service. Theoretically, therefore, one-sixth of the faculty and academic administrative staff could be on sabbatical leave at any given time. However, according to University policy, sabbatical leave is not an automatic entitlement. A sabbatical application outlining the research or other work to be undertaken must be approved by a Department Tenure and Promotion Committee. In practice, approximately 10 per cent of faculty is on leave each year.

As of January, 1987, the University's policy was to award seven months leave at 100 per cent salary. Each additional month taken resulted in a five per cent reduction in salary, so that if 12 months leave were taken (the maximum allowed), the faculty member received 75 per cent of salary.

Sabbatical Pay Improperly Calculated

Sabbatical pay calculations for 3 of the 20 employees examined were either incorrect or questionable. In one case University policy had been overridden by the vice-president, Academic. However, University policy does not permit such discretion.

In three cases, we also encountered differences between periods of sabbatical leave reported on the list provided by the University and the payroll records. The University maintained that the payroll records were accurate and that the differences arose because the list had been compiled from information supplied by individual departments rather than from the payroll records. Although we accepted the accuracy of the payroll records, we were concerned that individual departments did not keep accurate records of sabbatical leaves granted.

Reporting Requirements Not Followed

University policy requires that a written report, describing results and accomplishments in relation to the initial study/research proposal, be submitted within two months of returning from leave. We asked to review the reports of the 20 employees selected to ensure that this requirement was met.

At the time of our request, the official responsible for this area was on vacation. Therefore, the reports were forwarded to our Office subsequent to the conclusion of our field work. We noted:

- **Eight of the employees did not submit a report.**

- **Four of the reports were dated after the two-month submission requirement. These four reports were submitted 3, 11, 16 and 20 months after sabbatical leaves were concluded. In the latter three cases, we noted that the reports were actually prepared after the date of our request.**

- **Three reports were undated.** Therefore, we were unable to verify the date these reports were submitted.

Upon discussion of our findings with the University, the University informed us that the policy requiring a written report did not come into effect until March 1987 and was intended to apply only to employees who commenced their leave after that date. On that basis, seven of the eight employees who did not submit a report were not required to do so as they commenced their leave prior to March 1987. According to the University, the one employee who was required to submit a report refused to do so.

From the wording of the policy, it was unclear who it applied to as evidenced by the fact that some employees who commenced their leave prior to March 1987 did submit a report.

RESPONSES

Responses were received from the University of Guelph and the Ministry of Colleges and Universities. The Ministry commented on Enrolment Reporting only. The Ministry's and the University's comments on Enrolment Reporting are summarized in the Commentary of the Report. The University's comments on other issues follow.

PLANT ASSETS

Poor Safeguarding of Assets

"The University does have controls over assets for which the risk warrants the expense. Examples are:

- *computing equipment*
- *fire equipment*
- *Library collection*
- *Art collection.*

"The University has appropriate insurance coverage and does have internal policies covering many aspects of its control including its own security force."

PURCHASING AND PAYMENT PROCEDURES

Questionable Competitive Selection Process for Microcomputers

"As a result of a thirty day trail period and revised quotes received, the University believes that its final choice of a vendor for microcomputers was appropriate."

Approval of Former President's Expense Claims

"The former President's expenses have now been reviewed by a special Board committee which is satisfied that they were reasonable. A formal procedure has now been established for the regular review and approval of the President's expenses."

Inspection Audit, University of Guelph

PAYROLL AND EMPLOYEE BENEFITS

Questionable Retirement Benefits

"After his resignation as President, the former President retained his position as a tenured professor in Land Resource Science. That, in conjunction with his status as a former civil servant, allowed him to elect to take the same early retirement option as other tenured professors and employees who were former civil servants.

"However, in reviewing all of the information, we have discovered that an error had been made in the calculation of this benefit by adding administrative leave to salary resulting in an overpayment of approximately $14,000."

Employee Benefits

"The benefits provided in the incoming President's contract are not unusual and are consistent with those provided to other Presidents.

"Since the 'President's House' at the University of Guelph was renovated and made into a Reception Centre which is used several days and evenings a week for University functions, it is unsuitable as a permanent family residence. That being so, the University would have had to provide a house for the President and his family. In lieu of this, the President was given a mortgage loan.

"Past Presidents of the University have had the use of a car and frequently a driver. In the recent past, Presidents of the University of Guelph have had to spend substantial amounts of time in Toronto for a variety of reasons, including Ministry meetings, fund raising, and social and business obligations connected with the University. In these circumstances, the Board has deemed it prudent to provide the President with a driver when necessary."

SABBATICAL (STUDY/RESEARCH) LEAVE

Sabbatical Pay Improperly Calculated

"In the one case of substance, an appropriate increase in study/research leave was approved by the Vice President, Academic to compensate the individual for undertaking substantial additional administration responsibilities at the University."

Reporting Requirements Not Followed

"Effective March 1987 the University's policy was amended to introduce formal reporting requirements upon return from study/research level. Such reports were not required prior to March 1987. The first reports under the new policy would normally have been required to have been submitted after May 1, 1988 which was subsequent to the 1987-88 fiscal year audited for the Auditor's Report."

Comments on Government-wide Matters and Special Reviews

2.9 Inspection Audit, York-Finch General Hospital, Ministry of Health

York-Finch General Hospital is a 300-bed acute care facility situated in the City of North York. It offers numerous in-patient and out-patient services.

During the 1989 fiscal year, the Hospital received operating grants of $34.5 million from the Ministry of Health.

SUMMARY

SCOPE AND OBJECTIVE

Our basic objective was to assess the adequacy of the Hospital's accounting records and related procedures. Specifically, we examined whether controls over payroll and other expenditures were adequate and that such expenditures were made in accordance with the policies and procedures established by the Board of Governors.

CONCLUSION AND FINDINGS

PAYROLL AND OTHER EXPENDITURES

On the whole, we concluded that the Hospital's accounting records and related procedures were satisfactory. We found the following to be well-controlled:

- **Payroll and the processing and payment of other expenditures.**
- **Acquisition of drugs and medical and surgical supplies.**
- **Safekeeping of equipment.**

However, we also found some significant deficiencies:

- **Controls over the acquisition of equipment, general supplies and services needed major improvement.**
  - **Purchases were frequently made without the benefit of a competitive selection process.**
  - **Board approval of substantial financial arrangements with two physicians was not documented. In the 1988 fiscal year, payments to these physicians totalled $1,150,000, out of which they had to pay certain assisting staff.**
- **Accounting controls over drug inventories were weak.**
  - **The Hospital was not able to adequately explain drug cost increases. We were particularly concerned since drug costs increased by 140 per cent over the past five years.**
- **Improvement in controls over medical and surgical supplies was required.**
  - **Prompt follow-up of discrepancies in the records of medical and surgical supplies was required to ensure the Hospital was not vulnerable to misappropriation of supplies.**

Inspection Audit, York-Finch General Hospital

OTHER MATTER

Despite its designation as an acute care Hospital, 15 per cent of all beds were occupied by long-term care patients. If these patients were placed in chronic care hospitals, the related beds could be made available, enabling the Hospital to better serve the acute care needs of its community.

BACKGROUND

As at January 1989, the Hospital employed 580 full-time and 510 part-time staff. In general, physicians are not employees of the Hospital. However, approximately 250 physicians were associated with the Hospital and authorized to admit patients and use Hospital facilities. Expenditure for the 1988 fiscal year totalled $37.9 million.

Total revenue of the Hospital for the 1988 fiscal year was $37.1 million. The Ministry provided $31.7 million of the revenue (85 per cent) while the remaining $5.4 million was derived from other ancillary sources such as preferred accommodation, cafeteria and parking.

COMMENTARY

PAYROLL AND OTHER EXPENDITURES

Satisfactory Procedures

For the 1988 fiscal year, salaries, wages and benefits totalled $26 million or 70 per cent of total Hospital expenditure. Other expenditures consisted of $6.4 million for general supplies and services, $2.9 million for drugs and medical and surgical supplies, and $.9 million for equipment. **Satisfactory controls existed over payroll and other expenditures.**

Fifty Toronto-area hospitals, including York-Finch, have grouped together and negotiated purchasing arrangements for most drugs and medical and surgical supplies. This enables the Hospital to acquire these items more economically than it could on an individual basis. In addition, the Hospital utilizes a prime vendor for some medical and surgical supplies which is consistent with practices of other hospitals. **Our review of these purchasing procedures did not reveal any major deficiencies.**

As at March 31, 1988, fixed assets were recorded at a depreciated value of $13.1 million (with an original cost of $22.3 million) in the Hospital's financial statements. Of this, $7.7 million was land and buildings and $5.4 million was equipment.

Our audit focused on the equipment category as many of these items are more susceptible to loss or misappropriation. Examples of items included in our testing were microcomputers, typewriters, VCRs and microscopes. **Our review did not reveal any major deficiencies with the controlling and accounting for equipment.**

Comments on Government-wide Matters and Special Reviews

Controls over the Acquisition of Equipment, General Supplies and Services Needed Major Improvement

Competitive Selection Process Not Used

There was no Board policy requiring the use of a competitive selection process for the acquisition of goods and services. Furthermore, a policy was not in place requiring the Board to approve the selection process and selected vendor, prior to the agreement award, for goods and services over a certain dollar limit (e.g. $25,000). From our discussion with other hospitals, we were informed that some have a competitive selection policy for goods and services acquired. For example, we found that one hospital required formal tenders to be obtained for purchases in excess of $10,000.

To review the extent to which a competitive selection process was used and Board approval obtained, we examined a sample of 20 expenditures totalling $1.9 million, incurred over the 1988 and 1989 fiscal years. **We found that purchases were frequently made without the benefit of a competitive selection process.**

For ten expenditures, exceeding $25,000 each, we noted:

- four purchases totalling $520,000 where a competitive selection process was not followed and Board approvals were not documented. Two purchases involved medical equipment and two, other supplies and services.

- three purchases of medical equipment totalling $318,000 where two or more quotations were obtained and evidence existed to support the decisions about the suppliers. Board approvals were not documented for these purchases.

- one purchase, relating to architectural design fees, with a current estimated contract cost of approximately $830,000 ($85,000 paid in fiscal 1988), where the Hospital received proposals from seven firms. Specific documentation was not available to explain the way the proposals were evaluated and the reasons for awarding the contract to the successful firm. Board approval, however, was documented for the awarding of the contract.

  The difference between the firm receiving the contract and the firm submitting the lowest bid was approximately $35,000. The final agreement was summarized by the successful firm in a letter to the Hospital, dated February 1987. According to the letter, the contract included a $50,000 donation to the Hospital over a five-year period. Management informed us that no portion of this donation had been received.

- another purchase, where proposals were received from five firms for a five-year dietary services contract in excess of $3.3 million ($700,000 paid in the 1988 fiscal year). There was neither documentation outlining the rationale behind the awarding of the contract to the successful bidder nor information which would readily establish whether the contract was awarded to the lowest bidder. Board approval had not been documented for this contract.

  Three firms, including the successful one, proposed donations. The successful firm's donation of $75,000 was to be used by the Hospital for

whatever purpose it chose. However, according to management, the cheque was recorded in the Foundation's records, rather than the Hospital's.

In five of the ten remaining expenditures, of $25,000 or less, there was no evidence that a competitive selection process was followed.

Board Approval of Large Medical Fee Arrangements Not Documented

The Hospital has made arrangements with several physicians whereby they undertake responsibility for providing certain medical services at the Hospital. In the 1988 fiscal year, such payments were as follows:

	$
Radiology	750,000
Pathology	400,000
Cardiology	225,000
Other	125,000
	1,500,000

Our review of these arrangements focused on the two largest payments, radiology and pathology.

Essentially, the Hospital bills OHIP for all radiological services provided and the chief of radiology is paid an amount based on the OHIP billings. **For the 1988 fiscal year, the Hospital paid the chief $750,000. We were informed by management that the chief is responsible for paying four radiologists who assist him in providing the services.**

The financial arrangement with the chief of pathology requires the Hospital to pay him an annual salary of $93,000 for activities including supervision of laboratory technicians, plus an amount based on the OHIP fee schedule for pathology services rendered. **For the 1988 fiscal year, the Hospital paid the chief approximately $400,000. We were informed by management that the chief is responsible for paying one full-time and one part-time pathologist and two part-time consultants who assist him in providing these services.**

According to the Hospital by-laws, the maximum period a department chief may serve in such a capacity is six years. However, a special resolution of the Board may be passed to extend the term. We reviewed the length of service and financial arrangements of these two department chiefs and noted:

- **Both chiefs have served well beyond the maximum period permitted under the by-law without Board approval. The chief of radiology and the chief of pathology were appointed in 1976 and 1977 respectively.**

- **Board approval for the financial arrangements with both chiefs was not documented.**

Comments on Government-wide Matters and Special Reviews

Weak Accounting Controls over Drug Inventories

For the 1988 fiscal year, the Hospital spent approximately $1.2 million on drugs, 95 per cent for Non-Controlled Drugs such as antibiotics, valium and aspirin, and 5 per cent for Controlled Drugs such as morphine and codeine. As at March 31, 1988 the pharmacy department had approximately $280,000 in drugs of which approximately $265,000 were Non-Controlled Drugs and $15,000 were Controlled Drugs.

The Hospital uses the unit dose system for drug distribution recommended by the Dubin Inquiry at the Hospital for Sick Children. Under this system, both solid and liquid drug forms are prepared in the pharmacy and transported to the Hospital departments for single dose administration to the patient. This system ensures that only a 24-hour supply of drugs is held in the nursing units.

A perpetual inventory record enables periodic counts of stock and a comparison with what should be on hand. Significant differences are often indicative of pilferage or other problems that can then be immediately investigated by management before the problems become widespread. A record of stock issued by department enables management to monitor monthly costs and to investigate unusual fluctuations.

Accurate perpetual inventory records were maintained by the pharmacy department for Controlled Drugs and adequate safeguards were in place to restrict access to authorized employees. However, perpetual records of Non-Controlled Drugs were not maintained and access by pharmacy department staff to these drugs was not restricted. Also, the pharmacy department did not maintain adequate records of Non-Controlled Drugs issued to Hospital departments.

With such control deficiencies, the Hospital was not able to adequately explain increases in drug costs resulting from drug issuance/usage versus their price increases. We were particularly concerned since drug costs have increased by 140 per cent in the 1988 fiscal year from the 1983 fiscal year.

A Strategic Planning Study for Hospital/Patient Care Information Systems, completed in January 1987 by a consulting firm, indicated that the pharmacy department needs to be automated at an early date. This automation project includes a perpetual inventory system. We understood from discussions with senior management, that while this project has not been undertaken due to lack of funds, it remains a high priority.

Improvements Required over Control of Medical and Surgical Supplies

For the 1988 fiscal year, the Hospital spent approximately $1.7 million on medical and surgical supplies (e.g. needles, bandages, and sutures). According to the perpetual inventory records, supplies of approximately $165,000 were on hand in central supply. Supplies are distributed to all areas of the Hospital including nursing units, the emergency department and the operating room. The costs of supplies issued are charged to each department.

In order to review the accuracy of the perpetual records, we selected 15 items and compared the actual quantity to the amount identified in the records as at February 28, 1989. Our review revealed differences in 11 of the 15 items. In several cases, the actual quantity was significantly higher or lower than the perpetual records. Similar results were noted when the Hospital conducted its 1988 fiscal year-end count.

Although management adjusted the perpetual records at February 28, 1989 to equal the actual count taken, discrepancies were again noted only one month later when the March 31, 1989 year-end count was taken. For example, the records reflected approximately 14,000 needles and syringes but the actual was only 12,200. In another instance, the records indicated approximately 500 thermometers but the actual was only 435. **Without prompt follow-up of such discrepancies, the Hospital is vulnerable to misappropriation of supplies.**

We were informed by management during our audit that they had identified errors and were acting to improve the accuracy of the perpetual records.

We also reviewed the controls over access to medical and surgical supplies maintained at the nursing units and observed that in many units these supplies could be easily obtained by almost anyone in the general vicinity.

We compared the actual costs to budget for four departments for three months in the 1989 fiscal year. On many occasions, the actual cost was significantly higher than the budget and there was no documentation to indicate that these variances had been investigated. For example, one department budgeted approximately $15,000 for medical and surgical supplies for a month yet the actual cost was $25,500 or 70 per cent higher than that budgeted. While the Board's Finance Committee was provided with the overall Hospital variance for medical and surgical supplies each month, no breakdown was provided by department.

OTHER MATTER

Inappropriate Use of Acute Care Beds

In Ontario, 148 of 223 public hospitals have beds which are designated and approved by the Ministry for providing care to chronically ill patients. These are patients who have reached the apparent limit of their recovery or have an illness of a long-term nature that requires placement in a long-term care facility such as chronic care hospitals, nursing homes, and homes for the aged.

Each hospital in Ontario is required to submit monthly reports to the Ministry that detail the number of patients awaiting placement in long-term care facilities, and the number of beds available.

Although York-Finch is not approved for chronic care, as at January 1, 1988, the Hospital had 55 long-term care patients in acute beds. Fifteen of these patients had been in the Hospital in excess of one year. In fact, Hospital reports indicated that an average of 49 beds (15 per cent) were occupied during the 1988 fiscal year by patients awaiting placement in long-term care facilities.

Comments on Government-wide Matters and Special Reviews

We acknowledge the efforts the Hospital has taken to improve the quality of care provided to these patients. For example, the patients have been segregated to one area of the Hospital, exercise programs have been initiated and social activities encouraged. Nevertheless, the placement of the long-term patients to more appropriate facilities is the responsibility of the Hospital and is dependant on the Hospital being able to locate beds in a chronic care facility.

We noted from the monthly reports submitted to the Ministry that **there were chronic care beds available at other hospitals within the Metropolitan Toronto area at the same time that the Hospital had patients awaiting placement in long-term care facilities. However, the Ministry does not make this information available to the Hospital.**

Costs associated with long-term care patients are not separately maintained by the Hospital. However, the average cost per day of all patients in the Hospital is $375 compared with an average of $175 per day for hospitals that are specifically designated as chronic care hospitals. **If long-term care were placed in chronic care hospitals and the related acute beds in the Hospital closed, we estimated that the Province could save approximately $2 million for the 1988 fiscal year. Alternatively, if these beds were made available, the Hospital could better serve the acute care needs of its community and other hospitals.**

According to Ministry policy, patients who have been admitted to an approved chronic care hospital are required to pay a chronic care co-payment. For the 1988 fiscal year, the co-payment was approximately $640 per month. There are a number of circumstances in which patients may qualify for full or partial exemptions from this co-payment. **If 75 per cent of the patients in chronic care beds were able to pay the full co-payment fee, the hospitals could have received approximately $280,000 for the 1988 fiscal year.**

We recommended that the Ministry assist the Hospital in locating available chronic care beds for those patients awaiting placement in long-term care facilities.

Currently, the Ontario government is completing a plan that will address the reform of long-term care for the elderly and people with physical disabilities. The plan is scheduled for completion in early 1990. The reform is intended to reduce the use of acute care beds by chronic care patients.

RESPONSES

We received responses from York-Finch General Hospital and the Ministry of Health.

York-Finch responded on September 13, 1989.

PAYROLL AND OTHER EXPENDITURES

Controls over the Acquisition of Equipment, General Supplies and Services Needed Major Improvement

Competitive Selection Process Not Used

"The Board of Governors, upon the recommendation of the Finance Committee of the Board, approve the dollar amount to be allocated for the acquisition of capital equipment. Another committee of the Board, the Equipment Acquisition Committee has the responsibility to prioritize equipment requests within the dollar allocation approved by the Board of Governors.

"Over 75 per cent of the budget for other supplies and expenses is either tendered or relates to utilities/laundry/service contracts. The remaining 25% includes a significant number of low dollar cost items. Where feasible, the hospital attempts to obtain telephone or written quotations on these items."

For the ten expenditures:

- *These specific pieces of medical equipment were purchased after extensive evaluation by medical and nursing staff. Under existing hospital policy further board approval was not required.*

  York-Finch General Hospital utilizes a day-light system for films and this specialty film is not widely available. A review was undertaken and it was determined that the current supplier offered the most extensive service at the lowest cost compared to three other suppliers.

  The hospital utilizes the service of an agent to co-ordinate placement of its employment adds with local newspapers. The agent reimburses the newspapers and the hospital realizes a 5% saving in overall advertising costs.

- *These specific pieces of medical equipment were purchased after extensive evaluation by medical and nursing staff. Under existing hospital policy further Board approval was not required.*

- *The Board awarded the contract to the architectural firm recommended by a committee of the Board who interviewed seven firms. This committee of the Board was comprised of 13 members, and based its recommendation on the experience of the firm and the assigned architectural staff; extensive reference checks; and the approach and methodology to be used. The fees being paid are based upon approved Ministry of Health guidelines.*

- *The Board was fully informed that Administration was considering contracting out the food service operation in order to provide a better service at a lesser cost. Documentation which identified all the firms responding, as well as the analysis of their proposals was available. The Board were kept fully aware of the process by the hospital President and agreed with the decision to award the contract to the current firm.*

"Notwithstanding the above individual responses, the Board accepts this recommendation and have introduced a policy (which outlines dollar limits for both Board approvals and the use of competitive selection procedures)."

Comments on Government-wide Matters and Special Reviews

Board Approval of Large Medical Fee Arrangements Not Documented

"The departments of Radiology and Pathology are exceptions because of the contractual arrangements with the providers of these services. The Board is fully aware of these arrangements, and the by-laws will be amended to reflect the special status of these two departments.

"The hospital has contracts with the Chiefs of Radiology and Pathology. The Board is fully aware of the financial arrangements included in these contracts. As part of the annual budget approval process, the Board approves the financial arrangements and all variances to the budget amounts are reviewed monthly by the Finance Committee of the Board."

Weak Accounting Controls over Drug Inventories

"Pursuant to a major recommendation of the Dubin Enquiry at the Hospital for Sick Children, York-Finch General Hospital introduced a unit dose system of drug distribution. This system has major advantages in the area of patient safety and physical control of drugs. York-Finch General Hospital was cognizant of the fact that the hospital would required computerization to maintain perpetual inventory records. However, the hospital believed that the physical control in place as a result of the unit dose system far outweighs the record keeping abilities of alternate systems. Computerization has been delayed due to lack of funds.

"However, the hospital plans to proceed with implementation of Phase I of its strategic plan for computerization in the current fiscal year. This will include a perpetual inventory system in Pharmacy.

"Pharmacy staff have responsibility to dispense and distribute drugs. If their access is restricted then who would take responsibility for these functions?

"Over the past five years the price of drugs has increased by 106 per cent. As well, during that period the hospital has undergone a significant increase in patient activity levels. These two factors, combined with the introduction into the marketplace of expensive third generation antibiotics, have been the major contributors to this increase in cost. A recent educational publication on hospital pharmacies noted that many hospitals have experienced increases in the range of 170 per cent in drug costs over the same time span."

Improvements Required over Control of Medical and Surgical Supplies

"There are in excess of 1,000 inventory items in two locations. The hospital continues to improve the perpetual inventory records of the hospital. All variances are followed up, and in the majority of cases are the result of key punching errors. The hospital is currently exploring the cost benefit of a bar coding system.

"The hospital attempts to restrict access to medical and surgical supplies maintained on the nursing units. However, in order to provide patients with necessary medical and surgical supplies, access must take priority over bookkeeping issues."

The Ministry of Health responded on September 19, 1989.

OTHER MATTER

Inappropriate Use of Acute Care Beds

"The Ministry has set up a Central Beds Registry which is available to all hospitals in Toronto. The Registry shows acute care and chronic care beds and this information is available to the Hospital.

"We would also note that the Ministry of Community and Social Services is leading to an interministerial task force aimed at drafting a plan for long-term care for the elderly and people with physical disabilities. The plan is expected to provide community care alternatives and enhance the placement system."

CHAPTER

3

COMMENTS ON MINISTRY AND CROWN AGENCY AUDITS

CHAPTER 3
COMMENTS ON MINISTRY AND CROWN AGENCY AUDITS

3.1 Introduction

The comments contained in this segment of the Report pertain to audit observations and recommendations resulting from ministry and Crown agency audits.

The comments on ministries were selected from the cyclical audits of ministries. The audits on which the comments are based were completed since our last Report and are listed in Exhibit 2.

The term Crown agency for the purposes of this segment of the Report includes both agencies of the Crown and Crown controlled corporations. Agencies of the Crown and Crown controlled corporation audits for the year ended March 31, 1989 are listed in Exhibits 3 and 4, respectively.

The annual attest audits of Crown agencies are primarily designed to express an opinion on whether the agencies' financial statements are presented fairly.

In addition to the attest audits, some agencies are selected by this Office for a broader scope audit. Typically, one of the more significant operational areas of the agency is reviewed for evidence of good management practices relating to economy, efficiency and/or procedures to measure effectiveness.

3.2 Poor Utilization and Monitoring of District Courtrooms and Staff, Ministry of the Attorney General

The court system in Ontario is comprised of three tiers of courts: the Supreme Court of Ontario, the Provincial Courts, and the District Courts. All three courts are under the Administration of Justice Activity of the Ministry of the Attorney General. The District Courts had expenditures of $47.8 million in the 1989 fiscal year (Vote 306, Item 2).

SUMMARY

SCOPE AND OBJECTIVE

Our audit was conducted at the Ministry's main office and at four District Courts located in the judicial districts of York (Toronto), Peel (Brampton), Middlesex (London) and Ottawa-Carleton. A survey questionnaire was also used to obtain information on District Court operations from ten judicial districts. In addition, we interviewed four District Court judges including the Chief Judge.

Our audit objective was to assess whether courtrooms and staff were utilized in a cost-effective manner.

CONCLUSIONS AND FINDINGS

We concluded that district courtrooms were not utilized efficiently and there was no formal monitoring of court staff productivity.

- **Approximately 15,000 cases were awaiting trial, yet courtrooms were utilized only 50 per cent of the time.**

- **Six new courtrooms, constructed at a cost of $9.5 million, were only utilized 40 per cent of the time from July to December 1988.**

- **There was no formal monitoring system to assess how effectively each District Court was in disposing of cases. For instance, judges and staff at the York District Court, on average, had significantly heavier caseloads than those in most other districts.**

- **A reduction in security searches of persons entering courtrooms, together with a concern as to the physical prowess of court constables to handle emergency situations, makes safety of the courts questionable.**

As well, we found little monitoring of the management practices in Sheriffs' Offices.

In arriving at our conclusions and findings, we acknowledged that the Ministry is currently embarking on major organizational changes to both the courts themselves, and to the courts administration system and the crown attorney system.

BACKGROUND

There are 49 District Courts in Ontario, one for each district of the Province. They are staffed by approximately 1,100 personnel. In addition, there are 164 District Court judges, all of whom are appointed and paid by the Federal Government. In the 1988 fiscal year, about 46,000 cases, both criminal and civil, were disposed of by District Court judges.

The District Court has very broad jurisdiction to conduct court proceedings. In criminal matters, the District Court has jurisdiction to try indictable offences. In civil matters, the District Court has jurisdiction in cases where the amount involved is under $25,000 but greater than $1,000 ($3,000 in the Metropolitan Toronto area).

Each District Court is administered by a Local Registrar and Sheriff who perform legal administrative duties and provide other support services to the courts. In the smaller districts, these positions are usually held by one person. District Registrar Offices employ about 500 individuals who perform administrative and clerical duties (court reporting, maintenance of case files, etc.) in each of the District Courts. The Sheriff's staff are responsible for enforcement of orders of the court, such as property seizures and evictions.

COMMENTARY

Courtroom Utilization Still Low

The number of cases awaiting trial has been steadily increasing over the years. Some of these cases date back years. For instance, the Ministry identified 600 criminal jury cases that have been pending for over 18 months.

Attorney General
District Courts

Utilization of courtrooms is seen as an increasingly critical issue as the number of cases pending trial are increasing. For example, as illustrated below, cases pending trial have increased by about 15 per cent overall during the last three years.

Year	Cases Pending
1986	12,700
1987	13,900
1988	14,800

One of the most critical factors in reducing cases pending is the ability of each District Court to schedule courtroom time to ensure courtrooms are kept as fully utilized as possible without over-scheduling.

The scheduling of courtroom time for trials entails the co-ordination and the availability of all parties including judges, lawyers, plaintiffs, defendants and juries, if a jury trial is involved. In conjunction with the District's senior judge, trial co-ordinators at each courthouse manually prepare a listing of available courtroom space and a time schedule for cases to be tried.

In our 1985 report on the District Courts, we noted significant underutilized courtrooms, and recommended improved courtroom scheduling to assist in reducing the number of cases pending trials before the courts. **At that time, the Ministry indicated that a computerized case management system was being developed which would finetune the scheduling system. During our review this year, we noted that the computerized case management system had not yet been implemented.**

At the courts visited, we reviewed the scheduling procedures for case trials and utilization of courtroom space. We were informed that, given the complexities of maintaining a timetable and schedule of courtroom usage, a standard of five and a half hours per day is considered full utilization of courtroom space.

We requested utilization data for the four Districts we visited. These statistics were not readily available. However, Ministry staff did compile the information for the six-month period, July to December 1988. We compared actual hours courtrooms were utilized to the standard of five and a half hours per day. **While we recognized that our analysis included the summer months when courtrooms were not fully used, we found that courtrooms were utilized only 50 per cent of the time,** as illustrated below:

District Court	Standard Hours Available	Actual Hours Not Used	Percentage Not Used
York	10,912	4,651	42
Peel	4,774	2,042	42
Middlesex	5,456	3,346	61
Ottawa	5,455	3,074	56
TOTAL	26,597	13,113	50

More specifically, it is important to note that:

- These utilization statistics are likely higher than the Ontario average as York and Peel are two of the busiest courtrooms in the Province.
- **Six new courtrooms, constructed since 1986 at a cost of $9.5 million, were only being utilized 40 per cent of the time in the six-month period, July 1988 to December 1988.**
- During the months of July and August, the courtroom utilization rate declined to only about 27 per cent of available court time.

We understand that the computerized case management system referred to by the Ministry in our last audit is being tested and should become fully operational in the near future. The Local Registrars' staff we interviewed felt this would facilitate the scheduling process. While the judges interviewed also generally supported such a system, some felt courtroom scheduling was adequate at the present time. They felt that there were so many factors beyond their control, impacting on court utilization, that a very high utilization, such as 80 per cent, was not realistic.

Lack of Formal System to Monitor Performance

The Ministry has no formal system in place to monitor or assess how effective each District Court is over time in disposing of cases through the system.

In view of the significant number of cases pending trial, especially at the York District Court, we questioned whether the Ministry has equitably allocated staff and judges to the 49 District Courts to ensure that all Ontarians, regardless of where they live, receive a relatively consistent level of service. For example, **we noted that judges at York were responsible for three times as many cases as those in Ottawa.**

We now understand that the Ministry is developing a system of workload indicators for District Courts which is intended to indicate the optimum number of staff in each court.

Major Concerns with Court Security

Reduction in Security Searches

Under the Public Service Protection Act, security officers have the authority to search anyone in the courts at any time. In some courts, weapons' searches are conducted on a random basis. Also, Sheriffs rely on police and lawyers to inform them of particular cases which may pose security risks so that security officers can be assigned accordingly. In certain circumstances, electronic, hand-held wands are also used to search individuals entering the courtrooms.

Effective April 1988, the Ministry decided to reduce security staff assigned to the wand search program. This resulted in a decrease in searches conducted. **For the 1988 year, wand searches numbered over 112,000 compared to almost 216,000 in 1987. This is a decline of about 50 per cent.**

This measure was of particular concern since:

- In the York District Court, where over 40 per cent of all District Court cases are held, statistics on weapons seized from searches indicated an increase in the number of weapons found. **For example, between 1985 and 1987 individuals who were searched and found with potentially dangerous weapons, such as knives and guns, increased from one to seven per day.**

- The majority of Sheriffs surveyed expressed concern about the reduction in security efforts (searches) that exists in courtrooms today. One Sheriff felt that this reduction posed a serious threat to the security of judges, lawyers, jurors, court employees and the general public.

- Some of the Judges interviewed expressed similar concerns as the potential exists for more individuals with weapons to enter courtrooms without being detected.

In view of the above concerns, we recommended that the level of security searches carried out in District Courts be re-assessed. One alternative to consider is the installation of walk-through metal detectors at all entrances, similar to those used at airports.

Physical Capability of Court Constables

Court constables are generally retired individuals who have some previous military or security-related work experience. They provide general security duties for the District Court, such as escorting prisoners between holding cells and courtrooms, preventing disturbances, controlling spectators and witnesses, and guarding prisoners while they are in court.

Sheriffs surveyed expressed concern about the age of court constables and their capability to do this type of work. For instance, according to one Sheriff: "Present staffing policies do not provide for the hiring of individuals with sufficient physical prowess and background to meet any emergency situation."

In a random sample of 115 court constables from the four Districts visited, we observed that 24 were over the age of 70, with two individuals in their 80s. Should a violent incident occur in a courtroom, it is questionable whether these individuals would be capable of handling the situation.

Poor Monitoring of Sheriffs' Offices

In addition to the enforcement of court orders, litigants in civil matters may utilize the Sheriff's office for serving court documents, such as summons, subpoenas and writs. Litigants are required to pay the Ministry all costs incurred for travel, documents served and enforcement work.

In some District Courts, process servers are hired to assist the Sheriffs in carrying out their duties. Usually, the hiring of these fee-for-service officers is done by the Sheriffs themselves. These officers are paid a fee for each document served or an hourly rate for enforcement duties, plus travel expenses.

For the courts visited, we found little monitoring of the management practices in Sheriffs' Offices. Specifically:

- According to Ministry policy, as salaried employees, neither the Sheriff nor the Deputies should be actively involved in process serving. For the York District Court, we found that the Sheriff and Deputies collected fees for process serving and enforcement duties related to both criminal and civil matters.

  We also noted that while the York Sheriff restricted his fee-for-service officers to one paid trip per document, even if it took two or more trips to serve the material, the Sheriff was paid for up to five trips for serving a document. For the 1989 fiscal year, enforcement fees and travel expenses paid to the Sheriff and Deputies were approximately $11,000 and $13,300, respectively. In February 1989, as a result of a legal opinion, the Ministry instructed the Sheriff of York to cease making payment of enforcement and other fees to himself and Deputies.

- No documented evidence was found to ascertain whether every individual hired by the Sheriffs was the best qualified. Furthermore, we noted that in the Ottawa Sheriff's Office, a number of individuals hired were either immediate family or relatives of the Sheriff. One of these was the Sheriff's son who received more work and, consequently, more fees and travel costs than the other employees.

  We understand that effective June 1989, the Sheriff of the Ottawa District Court was suspended from his duties pending the completion of a Ministry review of his Office's management practices.

- For the District Courts visited, we noted that fee-for-service officers were accumulating mileage fees at a high rate and that travel expenses were a major portion of their income. For instance, in one District Court, travel income represented $38,200 of one officer's total annual income of $79,400. In another district, travel income of $40,000 represented twice that received from fees.

RESPONSE

The Ministry responded to our findings on September 14, 1989.

GENERAL

"Prior to July 1989, approximately 300 court offices in Ontario reported to three branch directors in Toronto. The span of control ranged from 73 offices reporting to the Director of the Supreme and District Court Services Branch, to 140 offices reporting to the Director of the Small Claims Court Services Branch.

"The Ministry has now decentralized the management of these court offices by establishing eight regions in the province, each of which is under the supervision of a Regional Director. The proximity of these directors to the court offices and the reduced span of control will significantly improve the local management practices necessary to maximize public service, through the reallocation of financial, human and physical resources to meet emerging local needs.

"To further enhance these objectives, the division plans to integrate court offices in each locality under the supervision of a single Court Services Manager as a second phase of regionalization.

"A Program Development Branch has been established in the Courts Administration Division to: develop improved management information systems; develop and implement court office and regional technological systems including the automation of court office procedures; improve the coordination of planning and evaluation; as well as the development of additional operational procedures, guidelines and training programs for court offices to improve the standardization and delivery of service to the public.

"It is expected that these changes will significantly address the underlying causes of the issues and concerns contained in this report."

Courtroom Utilization Still Low

"The Ministry is very committed to reducing the backlog in District Court, but suggests that courtroom utilization is only one of many factors to be considered in the reduction of the number of cases pending. Civil case management pilot projects are being established in Windsor, Toronto and Sault Ste. Marie with the full cooperation of the bar and judiciary. In addition, automated trial coordination is being introduced in selected court offices. It is expected that these initiatives will reduce the backlog of cases pending in District courts.

"The findings in the auditor's report dealing with courtroom utilization are based on the review of the period from July - December, 1988. The Ministry believes that analysis of full-year data would provide a more meaningful measure of courtroom utilization, by reducing the impact of seasonal fluctuations."

Lack of Formal System to Monitor Performance

"The Courts Administration Division is in the process of developing staffing standards for District Court offices. These standards break down types of cases into their component work elements, comparable to the staffing standards that are in place in Provincial Court offices."

Major Concerns with Court Security

"Legislation was passed on June 20, 1989, transferring the responsibility for court security from sheriffs to municipal police forces. This legislation, to be proclaimed in effect on January 1, 1990, recognizes that police authorities are best suited to assume responsibility for court security due to their extensive training and ongoing experience. In addition, they possess a more intimate knowledge of possible security concerns relating to parties who are to appear in court and are therefore in the best position to determine the appropriate level of security needed in each instance. Sheriffs will work with municipal police forces during the transition period to ensure an orderly transfer of security responsibilities and to address localized security needs.

"The Ministry will retain courtroom constables to provide general information to the public and to maintain established courtroom decorum."

Poor Monitoring of Sheriffs' Offices

"It is the responsibility of sheriffs to ensure that documents are served in a timely and proper manner. While Ministry policy restricts the amount of process serving that should be completed by the sheriff and salaried sheriff's officers, it is recognized that these individuals may have to effect service where urgency exists or in other unusual or extenuating circumstances. The Ministry has instructed sheriffs that the volume of documents served by them or salaried officers should not exceed five per cent of the process serving performed by the office.

"A sheriff is given the authority in numerous statutes to enforce court orders. In the District Court in Toronto, in an effort to ensure expeditious enforcement, the sheriff utilizes the services of salaried officers for such enforcement proceedings. It had been his practice to pay fees to such individuals for enforcement activities conducted outside of normal working hours. The Ministry, in reviewing the appropriateness of this practice, obtained legal advice and subsequently instructed the sheriff to desist from making such fee payments, and the practice was discontinued.

"Salaried officers are entitled to compensation for expenses incurred, in accordance with the Manual of Administration, when service documents or enforcing court orders."

"Improprieties in the Ottawa Sheriff's office were recognized by the Ministry in June, 1989, and an internal investigation was initiated. Appropriate measures, including possible disciplinary action, will be implemented based upon the results of the investigation.

"The Ministry intends, as part of its efforts to ensure better accountability and consistency in practices across the province, to develop written procedures to be used by court officials in the selection and use of fee-for-service officers."

"The lack of consistency of court officials in implementing Ministry procedures has been identified by Regional Directors who are instituting changes to bring about conformity. The sheriff in the District Court in Toronto, in an effort to improve financial control, has established the position of a budget officer, who will, together with the sheriff, closely monitor all travel claims presented and ensure consistency with established Ministry procedure."

3.3
Inadequate Monitoring of Child Care Payments, Children's Services Activity, Ministry of Community and Social Services

The Ministry of Community and Social Services pays subsidies and grants to municipalities, licensed day nurseries, and Indian Bands for providing child care services. During the 1989 fiscal year, the Ministry paid approximately $255 million for such services (Vote 802, Item 5).

Community and Social Services
Children's Services Activity

SUMMARY

SCOPE AND OBJECTIVES

Our audit of the Ministry's child care payments included discussions with Ministry and municipal officials, visits to 6 municipal offices, 34 day care centres and 3 of the Ministry's 13 area offices, which are responsible for approximately 35 per cent of Ontario's licensed day care centres.

Our audit objectives were to assess whether:

- the Ministry and municipalities were complying with the Day Nurseries Act and Regulation and established guidelines; and
- subsidies to municipalities were used to provide cost-effective services.

CONCLUSIONS AND FINDINGS

COMPLIANCE WITH LEGISLATION AND POLICY

We concluded that procedures were inadequate to ensure compliance with the licensing, inspection and financial needs testing provisions of the Day Nurseries Act and Regulation, and Ministry-established guidelines. Some of our specific concerns were as follows:

Licensing and Inspection

- **Inappropriate day care licences were issued to many centres.**
- **The Ministry has not adequately monitored the operations of chronic problem day care centres. Furthermore, centres which violate health and safety standards year after year do not have their licences revoked.**

Needs Testing

- **Municipal and Ministry offices were giving subsidies to ineligible families.**
- **Inadequate attention is being paid to scrutinizing needs testing applications. Information supplied by applicants was seldom verified.**

Discretionary application of the needs test has resulted in anomalous situations. For example, families earning up to $60,000 annually could qualify for subsidy.

SUBSIDY PAYMENTS AND COST EFFECTIVENESS

The Ministry does not ensure subsidies are used to provide cost-effective services. Specifically:

- **The current method of allocating funds among municipalities does not address the changing needs of municipalities over time.**
- **There is a lack of information to assess the cost-effectiveness of child care services. Municipally operated day nurseries are almost 50 per cent more expensive than other sources of day care.**

Comments on Ministry and Crown Agency Audits

BACKGROUND

Day nurseries consist of day care centres, nursery schools, private home day care agencies, and centres for physically and developmentally handicapped children. They are licensed by the Ministry under the Day Nurseries Act and Regulation and must maintain a minimum standard of care. The Ministry ensures that day nurseries comply with the legislation, as well as its policies and guidelines, by issuing annual licences and conducting periodic inspections.

Parents in financial need, who enroll their children in day nurseries, may receive subsidized day care. Approximately one-third of the almost 110,000 children currently enrolled full-time and part-time in licensed day nurseries are either fully or partially subsidized. Roughly one-quarter of the families receiving subsidized child care also receive Family Benefits or General Welfare Assistance. Over 70 per cent of subsidy recipients are one-parent families.

The cost of the subsidy is generally shared 50, 30, and 20 per cent by the federal, provincial and municipal governments, respectively.

The number of licensed day nurseries has increased from 1,650 in 1981 to 2,500 in 1988. These nurseries provide approximately 90,000 full-time licensed spaces.

During the 1989 fiscal year, the Province spent $255 million on child care services, a 46 per cent increase over the prior year's expenditure of $174 million. A major portion of the increase of $81 million was due to the introduction of Direct Operating Grants, totalling $48 million. The primary purpose of these Grants was to increase day care staff salaries.

In the past few years child care has gained more visibility and importance as the demand for quality and affordable child care increases. In recognizing this demand, the Ministry issued a policy paper in June 1987 called "New Directions For Child Care". This paper outlined the Government's vision for the future of child care as a basic public service and not a welfare service.

COMMENTARY

COMPLIANCE WITH LEGISLATION AND POLICY

Licensing and Inspection

Deficient Monitoring Practices

To determine if a day nursery qualifies for a licence, a Program Advisor must ensure that it meets both legislated and Ministry standards. Standard Ministry licensing review procedures are outlined in a Day Nursery Policy Manual.

It includes a comprehensive licensing review checklist, which details about 80 specific statutory items for the Program Advisors to check during the course of their periodic licensing inspections. These items cover facilities, services provided, and books of account and other records of the day nursery being inspected.

Generally, there was evidence on file, such as notes from Program Advisors, that inspections had been conducted. However, we noted that the licensing review checklist was often not used. **In one area office, we found that the checklist had not been used in over 60 per cent of the inspections.** Without the use of

the checklist, we question how management can ensure inspection procedures set out in the Manual have been carried out.

Furthermore, at one of the three area offices visited, we did not find any evidence that the Program Supervisor had reviewed the licensing checklists or program review notes, as required by Ministry policy. Ministry procedures also require the person signing the day nursery licence to have reviewed the site visit report. In two of the area offices we visited, we found that the area offices had only occasionally adhered to this procedure.

Inappropriate Licences Issued

The granting of an unrestricted licence to a day nursery is intended to assure the public that the operation meets the minimum established standards. When a day nursery operates below these standards, the Ministry may revoke the licence or issue a provisional licence to allow the operator an opportunity to correct the problems. A provisional licence is designed to inform the public of the deficiencies at the day nursery.

We examined 30 files at one area office which issues over 700 licences annually. **We noted that one-third of the licences issued were unrestricted even though the Program Advisor had explicitly identified areas of non-compliance with the legislation** and, accordingly, a provisional licence would have been more appropriate. For example:

- Ministry documents indicated that one centre, with a licensed capacity for 40 children, had operated for 4 years during which time there had been a history of ongoing problems. Problems noted related to insufficient staff, the safe supervision of children, child discipline practices, program content and general style of management. However, we noted that the Ministry had never issued a provisional licence to this centre, leaving the parents uninformed of contraventions of the Act.

- Ministry documentation indicated that for three consecutive years, a centre with a licensed capacity for 120 children was short two trained staff. In a 1987 inspection report, the Program Advisor had also noted other infractions. For instance, contrary to Regulation, six infants ranging in age from 12 months to 18 months, were sleeping in cots as opposed to cribs. However, we noted that the Ministry consistently issued an unrestricted licence to this centre.

Also, we found two cases where covering letters accompanying the licences to problem centres indicated that the Ministry was issuing provisional licences. However, the actual licences issued were unrestricted.

Inadequate Action against Chronic Problem Centres

Ministry policy outlines specific standards for inspection, documentation, and supervisory review of centres that consistently fail to meet the required health and safety standards. The intention of this increased surveillance is to protect the children, to help the operator meet the standards, and failing that, to provide the Ministry with sufficient evidence to support revoking the day nursery's licence.

Comments on Ministry and Crown Agency Audits

We reviewed the files of 11 of 24 centres that were identified by the area offices as problem centres and noted the following:

- **Eight of these 11 centres had a history of non-compliance with the Act, yet they continued to operate. The period of non-compliance for these centres averaged three years.** Infractions included consistent understaffing, unsafe supervision of children, unsanitary facilities, and substandard meals for children.

- **The files of another of the 11 day care centres,** with a licensed capacity for 34 children, **indicated a history of serious non-compliance that extended over five years.** We found 11 letters written to the centre between June 1986 and October 1988, in which the Ministry threatened to take further action if conditions at the centre did not improve. However, conditions at the centre continued to remain below standard. We were informed that **the Ministry has only recently taken action to revoke the centre's licence effective August 30, 1989.**

We understand that one area office has subsequently prepared formal procedures to address these deficiencies.

Needs Testing

Overview

Persons in need of day care subsidies for their children, other than persons receiving benefits under the Family Benefits Act and the General Welfare Assistance Act, must meet eligibility criteria defined in the Regulation under the Day Nurseries Act. The Ministry has devised a needs test to determine who meets this criteria. However, unlike other social programs, those who pass the needs test cannot automatically receive subsidized day care because child care is neither a mandatory service nor a legislated right. Rather, subsidy for day care is dependent upon the availability of spaces or public funds, or both.

The needs test has recently come under fire and has been termed unfair because it tends to benefit higher income families. As part of its "New Directions for Child Care," the Ministry is planning to replace the current needs test with an income test. Income testing is used by all other provinces.

Questionable Subsidies Granted

For persons to be subsidized, the Canada Assistance Plan requires that, in addition to financial hardship, parents must have a need for day care services because they are working, attending school, or undertaking medical treatment. A subsidy may also be granted when child care is recommended by a social agency.

Based on these criteria, homemakers, and unemployed persons and welfare recipients who are not actively looking for work, should not be entitled to subsidized child care. Yet, **we found evidence of subsidies being granted to such ineligible recipients at two of the area offices we visited.** For example:

- Over 50 per cent of the nursery school children at one municipality were ineligible for subsidy; of the 62 children being subsidized, 15 had at least one parent who was a full-time homemaker and another 19 whose parents were welfare recipients.

  The municipality acknowledged that these children were not eligible for subsidy under the current needs test criteria.

- One centre which provides day care services is also a private school for children in grades one to three. We noted children attending this grade school received subsidized day care for the time spent at lunch, and before and after school. We questioned how parents could be deemed to be in financial need when they could afford to send their children to a private school.

We recommended that the area office Program Supervisors periodically review both internally completed needs tests and those done by municipalities to ensure that the criteria and intent of needs testing are followed.

No Verification of Needs Testing Information

In order to assess financial need, applicants are generally requested to visit a Ministry or municipal office to complete a "Determination of Available Income" form. The applicants are expected to bring along a pay slip, a rent receipt, bank books and other documentation to prove their financial status with respect to income, living expenses and liquid assets. **Ministry policy states that such "information must be verified." However, none of the offices we visited regularly or systematically checked the accuracy or completeness of the information supplied by the applicants during their needs assessment.**

We noted numerous examples where the information on the needs test form was questionable.

- Personal data such as address, telephone number, social insurance number and family composition information were not disclosed in 40 per cent of the cases.

- There were six cases where monthly budgetary expenses claimed exceeded allowable limits. For example, expenses claimed included $52 per month for cable television, $60 per month for a telephone and $400 per month for transportation.

- In another case, both rent and mortgage payments were claimed.

Discretionary Application of the Needs Test

Generally, municipalities administer the needs test and have been granted discretion, within certain limits, in determining upper limits of monthly budgetary needs based on local conditions. **The exercise of this discretion gives rise to some anomalous situations.** For example, in our review of the needs testing in eight municipalities, we found:

- Ministry guidelines permit a municipality to set the maximum allowable rent or mortgage payment that is reflective of local costs up to a provincial allowable maximum. Justifiably, one large municipality with the highest real estate and rental costs in the province, set its housing expense limit at the provincial maximum of approximately $1,200 per month. However, another municipality also used the same maximum for shelter costs. On comparing local conditions in this municipality, we found that the cost of homes, on average, was significantly lower and that the maximum monthly rent for a two-bedroom apartment was only $600.

- Allowable debt payments ranged from $100 to an unlimited amount as long as supervisory approval was obtained. We noted instances where monthly payments on recreational vehicles and large credit card debts were allowed as part of the monthly debt payment.

- **The maximum gross annual income level at which an applicant would qualify for subsidy ranged from $38,000 in one municipality to $60,000 in three municipalities.** Most municipalities allow each applicant to claim a maximum exemption of 25 per cent of net earnings as a budgetary expense. The Ontario Municipal Social Services Association has recommended the use of a sliding scale to reduce the percentage of exemption on higher income.

As expected, we observed that municipalities, which allowed higher expense limits in determining eligibility for day care subsidy, tended to have longer waiting lists for subsidized spaces. These waiting lists have arisen due to a shortage of subsidized day care spaces and not due to a lack of physical spaces. Our random survey of 20 day care centres in the Toronto area revealed that 75 per cent of the centres had some spaces available.

The major problem with long waiting lists is the possibility that families with urgent needs may not receive subsidized day care. For example, one large municipality with a waiting list of some 4,500 applicants operates on a first-come, first-served basis.

SUBSIDY PAYMENTS AND COST-EFFECTIVENESS

Overview

Each year's child care operating subsidies are based on the prior year's funding, plus an inflation factor. Expansion funding for new, subsidized day care spaces is regionally allocated on the basis of child population (up to 12 years old).

The Ministry allocates these subsidies to its four regional offices. They then allocate their funds to the 13 area offices to distribute to the child care operations of municipalities, approved corporations and Indian Bands.

Inequitable Distribution of Funds

During our review of the subsidy allocation process we noted the following:

- Local demographic factors, such as the number of single-parent families or depressed income levels, are not used to determine the allocation of funding and hence the number of subsidized spaces in each local community.

- No two regional offices use the same age limit to define a child for expansion funding purposes. This upper age limit ranged from five years to 12 years of age.

- Other factors such as the municipality's willingness and readiness to implement day care services significantly affect the funding provided.

As a result, **the distribution of child care funding has become inequitable.** For example:

- A municipality in the southeast region received approximately $19 million in the 1989 fiscal year. This is almost triple the funding of a municipality in the southwest region, despite both municipalities having relatively similar child populations, single-parent families and families with a net income below $35,000.

- One municipality, containing about 20 per cent of the Province's child population, received over $79 million, or almost 50 per cent, of the municipal child care operating subsidies in the 1989 fiscal year. Additionally, over the past four years, this municipality has received $17 million from the Ministry in excess of its approved budgets.

Ministry management has recognized that the availability of subsidized day care spaces across the Province is uneven. They advised us that historically the Government policy was to provide additional resources to child care in response to proposals coming forth from those municipalities who were willing and committed to expanding child care services within their community. They indicated that the current policy, publicly expressed in "New Directions For Child Care," will be to actively encourage the development of child care services across all areas of the Province in three-year planning cycles to ensure orderly growth and realistic timing.

Information Lacking on Control of Costs

By virtue of the Constitution Act and the Canada Assistance Plan, the Province is responsible for child care, and thus, the onus is on the Ministry to ensure child care is provided in a cost-effective manner. Over 60 per cent of the Ministry's annual funds for child care services is allocated to some 80 municipalities in the Province.

The annual cost of providing a day care space is dependent upon a number of factors, such as the age of the child, the length of time and number of days the service is provided. From our discussions with Ministry officials and our audit observations, **we found that the annual subsidy per space ranged from $2,000 to $11,000 across municipalities, with the provincial average being $4,000. We concluded that, although costs were of concern to the Ministry, information was lacking to assess whether higher subsidy meant better quality of care or just a lack of commitment to controlling costs.**

Comments on Ministry and Crown Agency Audits

Municipalities deliver child care through directly operated day nurseries and through purchase of service agreements with non-profit and commercial day care centres or private home day care agencies. **We noted that municipally operated day care centres were more costly than other sources of child care. They are, on average, almost 50 per cent more expensive than either purchase of service or private home day care.**

We also noted instances of unnecessary or unreasonable municipal costs.

- Day care advisors at one municipality are paid an average of $8,000 more per year than Ministry advisors. Both groups inspect day care centres but Ministry advisors have the added responsibility of recommending approval or refusal to issue a Day Nursery licence.

- In one area office, we noted that of the almost 700 licensed centres, over 500 centres were inspected by both the Ministry and the municipality.

- The Ministry reimburses 80 per cent of the administrative cost to municipalities for administering the needs test. In all three area offices we visited, we found instances of welfare recipients being needlessly tested.

As mentioned previously, there is a backlog of families awaiting subsidized day care although there are spaces available in day care centres. The problem is that there are insufficient funds to provide subsidies for these spaces. Therefore, if the Ministry could identify and verify areas where unnecessary costs are being incurred, this would enable more subsidized spaces to be funded.

RESPONSE

The Deputy Minister replied to our findings on August 31, 1989.

GENERAL

"The Ministry is extremely concerned with the final report submitted by the Provincial Auditor. It is not that we disagree with those findings which clearly point to needed improvement in the areas of licensing and compliance with legislation and guidelines. The auditor, in many cases, reflected concerns this Ministry had already identified and was in the process of rectifying.

"However, the audit report fails to recognize the government's stated policy directions for the child care service system in the Province of Ontario.

"The report raises negative findings in areas where practices are well within existing policy.

"The Ministry feels it is inappropriate to report activities which are within the present policy framework in a manner which suggests some failure in the management of the system.

"The substantive shift in government policy directions is clearly articulated in the following extract from 'New Directions for Child Care' announced in July 1987.

"The cornerstone of this new vision for child care rests upon the following set of guiding principles:

- *All families must have reasonable access to a range of appropriate services;*
- *Services must respond to individual, cultural and regional needs;*
- *Programs must be of high quality and must support children's health, safety and development;*
- *Parents must have enough information and assistance to make informed choices;*
- *Community groups must work in partnership to ensure that local programs for children are co-ordinated;*
- *Employment leaves and benefits must be flexible enough to enable working parents to meet their family responsibilities; and*
- *Child care must be affordable.'*

"Our response to the need for a more comprehensive program is demonstrated by a comparison of historical distribution of funds within child care with current year estimates. For example, in 1985, subsidy comprised 80 per cent of total child care funding and, in 1989, despite more than doubling of the subsidy line, the proportion has fallen to 57 per cent of our total estimated child care expenditures.

"(In summary), *the Ministry has acted and will continue to plan and implement both consolidation and expansion activities in the broad child care service delivery system, a system which is much larger and more complex than the three selective elements reviewed by the auditor.*

"The issue of context (the new policy direction, major change in the delivery system and rapid growth) is vital to a balanced report and its absence lessens the effectiveness of this particular report to provide useful constructive criticism to a system which would gladly welcome such."

COMPLIANCE WITH LEGISLATION AND POLICY

Licensing and Inspection

"The Ministry had already recognized that enforcement practices have failed to keep pace with the rapid growth and services developed over the last several years. The system has doubled in the past ten years with a growth of approximately 500 centres. The review of our enforcement practices announced in the first phase of 'New Directions' and now in process is a direct result of our concern. As part of this ongoing review, the following operational decisions were communicated to child care field staff with an effective date of July 13, 1989:

- *checklists are to be used for every inspection;*
- *the effective date of licensing will be consistent across the province;*

- *time to comply after an inspection is limited to two weeks;*
- *provisional licences are issued for a three-month period only;*
- *standardization of Director Discretion;*
- *distribution of the Day Nursery Manual at the time of licensing; and*
- *the Ministry will log complaints and follow-ups.*

"The review is on schedule, and the final report is expected this fall. It is anticipated that this report will contain further recommendations to assist the Ministry in maintaining services, as well as carrying out its legislated responsibility for licensing and enforcement."

"The Ministry disagrees with (the finding regarding 'Inadequate Action against Chronic Problem Centres'). *Area office practise is to closely monitor programs that have several areas of non-compliance.*

"However, the documentation to support the serving of a notice to revoke or refusal to reissue a licence takes several months to collect. With respect to the centre (with a five-year history of non-compliance), *documentation to support the action was being collected at the time of the audit. On July 4, 1989, the Ministry obtained, on consent, an Order for Closure. The centre will close on August 30, 1989.*

"This matter is also included in the Enforcement Practices Review and further recommendations, if required, will be included to deal more effectively with chronic infractions."

Needs Testing

Questionable Subsidies Granted

"The finding that ineligible families are receiving subsidy is of concern to the Ministry. This is contrary to our directives that needs testing is a requirement for access to subsidy for all families. In the case of the example noted, while the audit was in progress the Area office followed up with the municipality. They determined that all the children had been needs tested, however, no documentation was on file of their referral for social need. Corrective action was taken immediately and the documentation included on the file."

No Verification of Needs Testing Information

"In regards to needs testing procedures, the Ministry points out that many of the examples used could be justified if put in context. . . . All three municipalities do a visual verification of pay stubs and receipts. The auditors found that some failed to note verification of the information supplied. The Ministry agrees that periodic review of completed needs test would enhance accountability, and will develop guidelines to accomplish this goal."

Discretionary Application of the Needs Test

"In reporting this finding the auditor is passing a judgement on existing approved policy. The Province of Ontario receives federal cost sharing under the Canada Assistance Plan and needs testing is a federal requirement. The guidelines that the Province has developed for needs testing are in accord with the Federal Guidelines.

"The report criticizes the needs test indicating it 'has been termed unfair because it tends to benefit higher income families.' The needs test is used to determine eligibility for some degree of subsidy towards the cost of child care. Further, the report gives the impression that the Ministry is moving toward an income test in order to restrict the eligibility range of families to receive subsidy. As stated in 'New Directions', the Ministry hopes it 'can allow partial subsidies for lower middle-income families' and is looking for a simpler less intrusive system for eligibility screening.

"It would appear from the commentary that the auditors have developed a position that child care subsidy should be available only to the poor and, priorized essentially for the working poor. This is not the government policy. Our policy is that families who are determined eligible under the guidelines have access to subsidy based on local discretion regarding service priorities. It is not unreasonable that in some instances families with a gross income up to $60,000 may require financial assistance with child care costs.

"The following statistics demonstrate that municipalities and areas offices are exercising discretion appropriately. They were gathered from municipal files and are based on net income levels as of December 1987. Families with the lowest income and greatest need i.e. single parents received the largest proportion of the subsidy.

- *The net annual income of 21,847 families, or close to 80 per cent of all subsidized families, was less than $20,000. Of these 18,418 families (84.3 per cent) were headed by single parents with one child or more.*
- *4,838 families, or approximately 17 per cent, showed a net income of between $20,000 and $29,999.*
- *1,403 families, or under 5 per cent, showed a net income between $30,000 and $49,999.*
- *No families receiving subsidy had a net income in excess of $50,000.*

"The report correctly points out that municipalities have discretion to apply needs testing guidelines based on local conditions. This flexibility is warranted and desirable. The municipalities have the responsibility to administer the program in their own particular community and are contributors to the funding of the service. The flexible application of the guidelines by individual municipalities results in differences that are reflective of the demographics, financial and political aspects of each community, rather than the inconsistent administrative procedures that the report infers."

Comments on Ministry and Crown Agency Audits

SUBSIDY PAYMENTS AND COST-EFFECTIVENESS

Inequitable Distribution of Funds

"The text of the report in this section is not consistent with the text in the conclusions and findings. In the text it is acknowledged that the current distribution of child care subsidy funding is reflective of historical patterns of development by municipalities. The Ministry had demonstrated to the auditors as part of the audit process that concrete actions have been taken over the last several years to improve equity of access across the province. Steps taken by this Ministry include increased local planning, allotment strategies using demographic information and community services needs studies. The auditors findings give no recognition of these strategies."

Information Lacking on Control of Costs

"Cost-effectiveness is of serious concern to the Ministry. The licensed child care system provides service to over 100,100 children, of whom approximately 45,000 are from families who have been needs tested and deemed eligible for subsidy. The mode of service delivery varies greatly, and the children range in age from infancy to age 12. As a result, one can expect a range of costs for different units of service which are used to claim funding. The Ministry takes the responsibility of cost control seriously. For example, in regard to the largest municipality examined by the auditor, the Area Office has informed them that their allocation is fixed. Where rate increases have been given without prior Ministry approval it is the responsibility of that Municipal Council to fund the difference at 100 per cent. Over-expenditures above approved levels have been, and will be, recovered. Expansion of directly operated centres has been frozen.

"The Ministry acknowledges that the cost of child care is much higher in municipally directly operated centres. Child care is a staff intensive service and salary costs are generally 70 to 80 per cent of total expenditures.

"It is important to understand that the differences in cost per space can largely be attributed to higher salaries having been negotiated for municipal employees compared to those paid by small community centres. The Ministry expects that the gap will narrow with recent initiatives, such as the Direct Operating Grant, to improve salary levels of child care workers.

"The Ministry concurs with the findings that there is a duplication of inspection efforts. One Area Office has not approved the addition of 6 inspectors and as a consequence the municipality is now funding the positions at 100 per cent. The degree of duplication is also being explored in the Enforcement Practices Review. A recommendation concerning future action is expected as part of the final report in November. The subject of delegation of licensing responsibilities to municipalities is already being considered in concert with the Provincial Municipal Social Services Review report due this fall."

"In the interest of good management and in accordance with the Canada Assistance Plan requirement, the Ministry believes that all applicants should be needs tested. For those on social assistance abbreviated information should be taken."

Community and Social Services
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CONCLUSION

"The Ministry would like to summarize the actions taken to date and those to be initiated in regards to the elements of the report.

COMPLIANCE WITH LEGISLATION AND POLICY:

- *Interim actions have been taken to improve enforcement practices.*
- *Further changes will be instituted as a result of the final report of the review of enforcement practices.*
- *The Ministry will institute periodic reviews of needs test to ensure that guidelines are followed and verification is documented.*
- *Procedures will be developed to eradicate the practice of centre staff administering the needs test.*

SUBSIDY PAYMENTS AND COST EFFECTIVENESS:

- *The duplication of inspection efforts is a part of the enforcement review and a recommendation is expected as part of the final report.*

"In summary, this Ministry will continue our management initiatives to ensure effective management of child care in this period of continuing massive growth and change."

3.4 Matters of Concern, Children's Aid Societies, Ministry of Community and Social Services

Under the Children's Services Activity, the Ministry provides grants to Children's Aid Societies for the care and protection of children. In the 1989 fiscal year, the Ministry paid $230 million to 54 Children's Aid Societies.

SUMMARY

SCOPE AND OBJECTIVES

We conducted audit work at two large Societies - the Catholic Children's Aid Society of Metropolitan Toronto and the Children's Aid Society of Ottawa-Carleton. Together, these Societies spent approximately 25 per cent of the total program expenditure ($60 million) in the 1989 fiscal year. We also conducted work at the Ministry's head office and at two area offices.

We assessed whether:

- the two Societies were complying with the Child and Family Services Act and Regulations; and
- the Ministry monitored the cost-effectiveness of the Children's Aid Societies.

Comments on Ministry and Crown Agency Audits

CONCLUSIONS AND FINDINGS

COMPLIANCE WITH CHILD AND FAMILY SERVICES ACT AND REGULATIONS

These Societies have not met various requirements of the Child and Family Services Act and Regulations. Therefore, we questioned whether the Act's primary objective of promoting the best interests, protection and well-being of children was being met.

- **Efforts to recruit and support foster parents were inadequate.**
- **Up to 25 per cent of children requiring residential care were placed in facilities other than those considered most suitable for meeting their developmental needs.**
- **Ministry reviews of children in the permanent care of Societies (Crown wards) indicated that often children were not receiving the required level of care.**

COST-EFFECTIVENESS

The Ministry does not know whether Children's Aid Societies are providing cost-effective services. Specifically:

- **The funding methods did little to encourage Societies to operate in a cost-conscious manner.**
- **Over 50 per cent of Society expenditures were on salaries, yet the Ministry had little reliable information on comparative caseloads, administrative and clerical staff levels, and relative salary levels.**
- **The Ministry provided no leadership in co-ordinating computer development to avoid duplication of cost and effort among Children's Aid Societies.**

BACKGROUND

Children's Aid Societies are non-profit agencies licensed by the Ministry under the Child and Family Services Act, 1984. They are responsible for the protection and care of children under 18 years of age. Each Society is managed by a board of directors consisting of municipal representatives and residents of the local community. The Societies provide:

- temporary or permanent guardianship to children separated from their parents;
- alternative care for children through foster homes, group homes, institutions or adoption; and
- guidance and counselling to families in their own homes where there is the risk of children being neglected or abused.

Children admitted to the Societies' care are placed in foster or group homes or in institutions. Currently, there are about 10,000 children in such facilities.

Community and Social Services
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In a foster home, a child receives care from adults who are not the child's natural parents. A foster home can have no more than four unrelated foster children at one time.

A group home provides care for up to nine children, usually close together in age. A group home may or may not be owned by the care providers and may have house parents or may be entirely staffed by rotating child care workers.

An institution, usually privately owned and staffed, provides care for at least nine children. It may also provide specialized resources such as psychiatrists, nursing staff and special educators.

The costs of operating Children's Aid Societies are shared 50 per cent by the Federal Government, 30 per cent by the Ontario Government and 20 per cent by Municipal Governments.

The Ministry monitors the operations of Children's Aid Societies through four regional and 13 area offices. In addition, several support branches at the head office in Toronto develop policies and procedures for the program.

COMMENTARY

COMPLIANCE WITH CHILD AND FAMILY SERVICES ACT AND REGULATIONS

Foster Parent Recruitment and Support Inadequate

Overview

Foster homes provide a family-like setting for a child. They are less expensive than other forms of residential care such as private group homes and institutions. Therefore, Children's Aid Societies usually consider foster care the best alternative, particularly for infants and younger children.

Almost 6,000 of the 10,000 children in the care of Children's Aid Societies are in foster homes. There are currently some 10,000 foster home beds available across the Province. However, the larger cities are experiencing a critical shortage of beds and consequently have had to place children with the more costly private group homes or institutions.

Little Effort Made to Recruit Foster Parents

Foster parents have indicated that low per diem rates, which currently range from $8 to $24 per day in Ontario, are not sufficient to cover the cost of looking after a foster child. In some cases, foster parents have left the foster care system to work for institutions which, on average, receive $60 per day for providing foster care.

Additionally, the increasing number of women entering the work force and the growing number of problem children have made it difficult to attract foster parents. **Regulations require Societies to develop and maintain procedures for the recruitment of foster parents. Nevertheless, neither the Ministry nor the Children's Aid Societies we visited have made serious efforts to recruit foster parents.** We noted that the Ottawa-Carleton Children's Aid Society has had no recruitment program for at least three years.

Comments on Ministry and Crown Agency Audits

Foster Parents Need More Support

Regulations require Societies to provide support to foster parents. Such support can take the form of training, recognition, feedback on performance and emotional support from Society workers.

Foster parents indicated that in addition to low per diem rates, they were leaving the foster care system because of inadequate support from the Societies. For example, in a 1987 survey by the Ottawa-Carleton Children's Aid Society, 45 per cent of the Society's social workers acknowledged that they had failed to provide regular support to foster parents.

Children's Aid Societies are also required by Regulations to perform an annual evaluation of foster homes. In addition to ensuring that living conditions are up to standard and a child's needs are continuously met, such evaluations serve to answer any questions that foster parents may have about a child. **At the two Children's Aid Societies we visited, almost half of the approximately 500 homes had not been evaluated annually.**

The Ministry has been aware of problems in the foster care system for some time. A report entitled "The Future of Foster Care" was released in January 1988 through the efforts of the Ontario Association of Children's Aid Societies and the Foster Parent Association of Ontario. The report recommended the collaboration of the Ministry, foster parents and Children's Aid Societies in the development of a strategic plan to redesign the foster care system. The Ministry advised us that such collaboration has been ongoing over the past year. Furthermore, in May 1989, the Ministry announced that it was committing an additional $6.7 million for the 1990 fiscal year to strengthen foster care services.

Inappropriate Placement of Children

The Child and Family Services Act recognizes the need for Societies to provide children with appropriate care and development such as a good parent would provide to his or her own child. Accordingly, the Ministry has established guidelines for Societies to use in choosing the most appropriate type of care for children. However, **a shortage of residences has forced many Societies to place children in residences other than the ones considered most suitable.**

The Societies' definition of inappropriate placements includes residences that are overcrowded, those intended for children of a different age or sex group, or those far away from a child's own community. Placements that result in the splitting up of siblings or in the delaying of urgently needed treatment to a child are also considered inappropriate. An inappropriate placement can adversely affect the well-being and development of a child.

The Ministry did not have statistics on the number of inappropriate placements. However, our work at the two large Children's Aid Societies showed that this problem was critical. The Catholic Children's Aid Society of Metropolitan Toronto reported that about 25 per cent of its children were inappropriately placed due to a shortage of residences. For example:

- In 1988, 14 children who should have received immediate mental health treatment (e.g. for suicidal tendencies, possible psychosis etc.) had to be placed in temporary facilities.

  Also, 15 per cent of the 425 placements in 1987 ended up staying in these temporary facilities for over three months. According to the Societies, the length of stay in temporary residence should be no longer than six weeks.

- On two occasions, a child at a group home was sexually abused by older children. We were told that the older children should have been placed in a residence for a different age group but none was available.

- Of 87 sibling groups placed in 1987, 15 had to be split up.

The Ottawa-Carleton Children's Aid Society reported similar problems. In addition, it reported that over 25 per cent of the children placed in institutions were outside of their home community, some as far away as 600 kilometers from home.

Another result of inappropriate placement can be frequent transfers of children between residences. The lack of a stable home environment can worsen a child's existing emotional and behavioral problems.

We reviewed transfers of children at the Catholic Children's Aid Society of Metropolitan Toronto over a six-month period in 1988. Forty-seven per cent of children moved to another residence were transferred as a result of improper matching of the children with foster parents, behavioral difficulties, etc. The Ministry also reported that, on average, children were moved three times every five years. The figure for teenage children was much higher. The Societies we visited estimated that it was usual for teenage children to be transferred seven or eight times over a five-year period.

Findings Reported by Ministry Crown Ward Reviews

Overview

Approximately 4,500 of the 10,000 children in care are Crown wards. The remaining children usually come under the Society's care through a temporary court order, or a voluntary agreement with the child's parents.

To ensure adequate protection and care of a child, Regulations under the Child and Family Services Act set out certain minimum requirements that the Society must meet. These include periodic visits by social workers, regular review of the child's plan of care, an annual medical and dental examination and reviews by social worker supervisors.

The Act requires the Ministry to monitor whether Children's Aid Societies are following these requirements. The Ministry's Crown Ward Review Unit conducts a review every 24 months of each child placed under permanent Society care (Crown ward) by a court order.

Non-compliance with Legislation

At the two Societies we visited, the Ministry had examined 270 Crown ward files in 1988. **The Ministry reported a significant number of cases where the two Societies had not followed the legislation.** It found that:

- Approximately 20 per cent of the Crown wards had not been visited every three months by social workers as required.
- Over 60 per cent did not have an up-to-date plan of care. In one Society, the plan of care for 27 per cent of the Crown wards had not been updated for one to three years. The plans were completed only as a result of visits from the Ministry's staff.
- Almost 35 per cent of the Crown wards had not received annual medical and dental examinations. In one example, a child's doctor had been concerned about the child's eye sight. Eight months later, there was no record of any eye examination.
- About 200, or over 70 per cent, of the Crown ward files contained no evidence that a supervisor had reviewed the work of social workers.

Our review of Ministry reports from previous years showed that these conditions had persisted for several years in other Children's Aid Societies as well.

We were advised by the two Societies that occasionally their staff may have done the work but neglected to update the files.

Non-Crown Ward Reviews by Ministry Needed

There are 5,500 non-Crown wards in the care of Children's Aid Societies. The legislative requirements for Crown wards such as periodic visits by social workers, review of children's plan of care, medical and dental examinations, etc. also apply to these children. However, the Act does not specifically require the Ministry to monitor compliance with these requirements by Societies. Therefore, the Ministry has limited its review of children's files to Crown wards only.

In view of a significant number of violations reported by the Ministry's Crown Ward Review Unit, we recommended that the Ministry also periodically review non-Crown ward files.

COST-EFFECTIVENESS

Funding Policy Warrants Review

The Ministry provides funding annually to Children's Aid Societies based upon their prior year's budget plus an across-the-board percentage increase to cover inflation. For example, in the 1988 fiscal year this increase was 4.5 per cent. Funding for new programs and capital expenditures is provided separately.

At the end of a fiscal year, a Society may request additional funds to cover unexpected cost increases. Such increases are given only after an Exceptional Circumstances Review has been completed by the Ministry and the increases approved by Management Board.

At present the Ministry has little reliable information available to determine if any Societies are over-funded. However, from what information is available, inequities likely exist within the present system. For instance, the Durham Children's Aid Society relies heavily on the services of private institutions. In 1987, it had about 200 children under its care and an expenditure of $7 million. By comparison, the Peel Children's Aid Society had 70 per cent more children, yet its expenditure of $10 million was only 40 per cent higher than that of Durham.

The present funding methods do little to encourage Societies to operate in a cost-conscious manner. For instance, Societies are funded regardless of whether they place children in a foster home, a group home or an institution. It is generally acknowledged that foster homes best meet the developmental needs of most children and are also more cost-effective. The average daily foster care rate is $20 compared to $60 for a group home or institution.

Additionally, Societies which rely heavily on private group homes and institutions may be forced to continue using such services even if rates go up substantially. For example, we noted that one institution increased its daily rate from $51 to $93, or 80 per cent, during 1988.

We also observed that the Ottawa-Carleton Children's Aid Society operated 23 staff-run residences. Such residences may provide better care to a child but they are more expensive than private institutions. They cost an average of $60 a day more than private institutions. The Society informed us that it is committed to reducing reliance on staff residences and to recruiting more foster parents.

The Ministry has initiated a Child Welfare Funding Project Task Force to review these issues.

Better Management Information Needed

As Children's Aid Societies are almost entirely funded by taxpayers, we believe the Ministry has an obligation to ensure that funds are spent prudently and that a relatively consistent level of service is delivered across the Province.

The Ministry maintains financial control over Children's Aid Societies to ensure that the Societies' spending stays within the approved budget. Expenditures that exceed the budget are subject to an Exceptional Circumstances Review to determine if they should be funded.

However, **the Ministry does not require Societies to submit financial and operational information in a uniform manner. Standardized reporting would allow the Ministry to assess service delivery levels and cost-effectiveness. Without such information, the Ministry cannot adequately monitor the operations of the Societies.** For example:

- Over 50 per cent of the $230 million paid to Societies in the 1989 fiscal year were for social workers' salaries and benefits. The Societies periodically report to the Ministry the number of cases handled by their workers. However, we found that each Children's Aid Society had its own way of measuring caseloads, staff to management ratios, social workers to clerical staff ratios, etc.

  Due to lack of uniformity in reporting, the Ministry could not use the information to determine the comparability nor the reasonableness of social worker staffing levels among the Children's Aid Societies.

- The Ministry requires Children's Aid Societies to report cost information by type of service, e.g. foster care, family counselling services, etc. However, we noted that many of the reporting systems within the Societies were not capable of providing this information. Consequently, the Societies provided estimates.

Five of the larger Societies are embarking on a project to design uniform reports. We understand that the Ministry has also started to develop a new data reporting system.

We recommended that these efforts be co-ordinated. This would ensure that the Ministry receives the information it needs to monitor the cost-effectiveness of each Society's operations.

Ministry Leadership in Computer Development Needed

In February 1986, the Ministry published an "Information Technology Strategic Plan" to be implemented over five years. In the Plan, the Ministry recognized that it was dependent on service providers, including Children's Aid Societies, for the information needed for planning, monitoring and trend analysis. It identified a need for co-ordination of computer development activities between the Ministry and the Societies.

Children's Aid Societies individually do not have the resources necessary to co-ordinate computer systems development. They also welcome central co-ordination and support from the Ministry. For instance, in January 1987, the Ottawa-Carleton Children's Aid Society presented a brief to the Minister of Community and Social Services. It supported increased leadership from the Ministry in the development of common data banks, information systems and computer technology.

Later in 1987, the Ministry issued a booklet entitled "The Challenge of Using Information Technology in Social Services - For Agencies." In the booklet, the Ministry indicated that for agencies which were just beginning to automate, the Ministry's Agency Automation Support Unit could suggest methods to assess information needs and to select suitable hardware and software.

To date, any advice from the Ministry to Societies has been on an "as requested" basis. The Ministry has provided no leadership in co-ordinating computer development efforts by Children's Aid Societies.

Community and Social Services
Children's Aid Societies

Many of the Societies have now either developed, or are developing, their own computer systems. While the Ministry agreed there is duplication of cost and effort, it has not requested information from the Societies which would enable it to assess how much money has been spent on computer development.

Our review of computer development in two large Societies showed that:

- The Catholic Children's Aid Society of Metropolitan Toronto proposes to spend approximately $3.9 million over the next five years in development costs for its existing system.

- The original plan of the Ottawa-Carleton Children's Aid Society was to adopt the case management software used by the Catholic Children's Aid Society of Metropolitan Toronto. Accordingly, the Society, with the approval of the Ministry, purchased a computer package in October 1987 for approximately $250,000.

  The Society subsequently discovered that the computer's disk capacity was insufficient to accommodate both its accounting and case management systems. The computer was hardly used. In November 1988, the Society entered into a 48-month lease for a more expensive computer at a cost of about $6,500 per month. Approximately $115,000 in hardware from the original computer package was traded in for $11,000.

  The Ottawa-Carleton Children's Aid Society further indicated that it will need $2.5 million over the next five years to develop its new computer system.

While the intent of the February 1986 Information Technology Strategic Plan was well-founded, there was little evidence that the Ministry was taking the required actions.

RESPONSE

The Ministry responded on August 24, 1989.

INTRODUCTION

"This Ministry clearly has a responsibility to work with municipalities, community boards and the Ontario Association of Children's Aid Societies to establish provincial standards against which they can monitor their performance and report to the Ministry. The development and application of standards and indicators, in a collaborative fashion, takes time and indeed the Audit refers to a number of these activities that the Ministry has underway."

"While recognizing the need for continued improvement, we believe that the Child Welfare system in this province is strong and viable. Working in tandem with the Children's Aid Societies, community groups and related government bodies we will continue to provide and enhance services in the best interests of children."

Comments on Ministry and Crown Agency Audits

COMPLIANCE WITH CHILD AND FAMILY SERVICES ACT AND REGULATIONS

Foster Parent Recruitment and Support Inadequate

"The responsibilities and roles of foster parents have become increasingly complex and the framework for compensation, training and support has been under review over the past number of years.

"The kind of collaboration with Children's Aid Societies and foster parents suggested in the report has in fact been ongoing over the past year. The most tangible, but certainly not the last outcome of this collaboration, was the Minister's May 24th announcement of additional funding to support family based residential care in societies.

"The initiative includes:

- *Commitment of $6.7 million for the fiscal year 89/90. With municipal contribution, effective January 1990, the total exceeds $8 million.*
- *A minimum floor rate of $14.00 per day is established for every foster parent. Reimbursable items and subsidies for special classification is in addition to this rate.*
- *Approximately $2.5 million of the total funds will go toward enhanced staff support.*
- *$550,000 has been identified for training and innovative demonstration projects.*

"This step, while an important demonstration of the Ministry's commitment to foster care, is part of a comprehensive strategy which will encourage and build on several creative initiatives already underway in the Ministry and the broader system of children's service agencies.

- *The policy division of this Ministry has been working for the past year with a multi-agency Task Force developing a policy framework for residential family resources with community consultation planned for 1990.*
- *The Children's Services and Communications Branches are currently developing a recruitment strategy with the Ontario Association of Children's Aid Societies and $250,000 has been committed to the provincial association to develop a foster parent and society worker training curriculum.*

"We will continue to work with community agencies and foster parents in strengthening the network of appropriate and accessible supports to children and families.

"The comments about the lack of societies' commitment to foster parent recruitment needs clarification. Ottawa has always had a recruitment program and up until last year had one position dedicated to this. In 1988, pressures related to establishment of rates and support to existing foster parents took priority."

Community and Social Services
Children's Aid Societies

Inappropriate Placement of Children

"We must first qualify the findings under this section, as the determination of 'inappropriate placement' is being made by the societies and has not been substantiated against objective or consistent criteria.

"This would perhaps change the perception of the degree rather than the nature of the problem. The Ministry has recognized the need for societies to sometimes place children in resources that are less than ideal or transfer children from one placement to another.

"To improve this situation there must be not only better assessment capacity but the effective co-ordination of local resources that match those needs. The specific combination of economic and socio-demographic factors presented in Metro Toronto and Ottawa-Carleton have made this particularly problematic and findings should not be generalized. To address this issue the Ministry has been active in trying to work with the total children's services system in order to improve the delivery system's capacity.

- *The Ministry/OACAS initiatives in the redevelopment of foster care are intended to increase the capacity of foster homes to maintain more difficult children locally and reduce the number of times children must be moved to more structured placements.*

- *The Ottawa-Carleton society has developed its own internally operated homes in response to the lack of externally operated programs. An eight bed residence was opened in 1988 and the Area Office will continue to promote the development of additional Francophone resources to reduce the need for distant placements.*

- *In Metro Toronto in the past three years 90 additional group home beds have been created to keep children closer to home. Since June 1986, a multi agency children's residential task force has been operating in Toronto developing specific strategies related to placement difficulties.*

- *In several parts of the province Ministry Area Offices are holding ongoing meetings with their Children's Aid Societies. Major areas of concern have been identified and working groups established to study and propose solutions.*

- *Many Areas have established 'Hard to Serve Committees' to provide case management support in those situations where there are problems in matching children's needs to appropriate placements and to make recommendations toward more effective management of the local system.*

"The Ministry has in recent years implemented placement review and inter-agency, services planning processes and allocated significant funding increases to reduce the frequency of the kinds of placement difficulties outlined in the report.

- *Legislated Residential Placement Advisory Boards review all placements of children in institutions to determine if the placement is appropriate and the least intrusive of available alternatives. Reports indicating inappropriate placements are reviewed with the society by the program supervisor.*

- *The allocation of an additional $24 million in Child Treatment and Intervention Services from 1987 to 1990 is having a positive impact on the quality and accessibility of services expansion and enrichments.*

"The audit report identifies some specific placement problems experienced in Metropolitan Toronto and we are actively seeking the assistance from our community service delivery system in the resolution of these issues.

"The three Metro societies have developed a joint proposal for an enhanced foster care program intended to reduce the number of children's moves by providing more support to foster parents during the critical first weeks and months after admission. Increased resources at this stage will, we believe, result in more children returning home earlier and more appropriate and stable placements for those who require longer term care.

"The Ministry is encouraging this kind of collaboration and specialized service development and believes that joint implementation and ownership of these kinds of strategies will improve services in both the short and long term."

Findings Reported by Ministry Crown Ward Reviews

"There is no question that the Ministry has to work more closely with Society Boards of Directors and their staff in improving the compliance rate for legislated activities. The Ministry's Area Offices currently receive copies of the Crown Ward Review report and monitor the society's workplan for carrying out the directives.

"We will be reviewing this issue with the Provincial Association of Children's Aid Societies, clarifying the Ministry's expectations and strengthening mechanisms for monitoring compliance with regulations."

Non-Crown Ward Reviews by Ministry Needed

"Reviews are now periodically done by program supervisors as part of their responsibility to supervise and inspect and as part of the foster care licensing process.

"A decision to expand this review process requires further consideration. We would prefer to work on a more formal basis with Provincial Associations and boards of the societies in the development of accreditation standards, as well as peer review and internal case audit mechanisms.

"We are supporting the Ontario Association of Children's Aid Societies in its development of standards and understand that in 1989/90 they are designing an accreditation process for societies.

"The assignment of more Ministry staff to inspect society files may not be the most effective way to encourage responsibility and ownership on the part of society boards.

Community and Social Services
Children's Aid Societies

"Under an accreditation model, as appropriate mechanisms are put in place, the societies would report on the results of their audits and the measures they are taking to address non-compliance. The Ministry would be reviewing the quality of the society board's review process and seeing that appropriate steps are taken to ensure compliance."

COST-EFFECTIVENESS

Funding Policy Warrants Review

"One of the significant, complicating factors in Child Welfare funding is the mandated nature of the protection and in-care components of the societies' work. In most social service programs, budgets can be established based on agreed upon levels of service and clients who cannot be admitted go on a waiting list. Any increases in budget are negotiated at the beginning of the year and reflect an increase in the Ministry's allotment through the provincial budget process.

"While the Child Welfare base budget line is established, the Ministry with the support of Management Board provides a process, the Exceptional Circumstance Review, through which additional funds may be approved to pay costs for increased volume in protection and in-care services. This 'safety net' has been available as an after the fact payment based on actual, in year expenditures that could not be avoided.

"We recognize the need for increased direction and consistency related to Service Plan negotiations and monitoring. Service Planning is still in the developmental stages and this sector is continually consulted on refinements. Administration of this process, as the report suggests, requires quality databases on services and resources which we are implementing."

Better Management Information Needed

"The Ministry agrees that sound information is necessary respecting services provided by agencies and resources used by them. This was clearly identified in the Information Technology Strategic Plan in 1986. The audit correctly points out that there are serious issues surrounding uniformity and consistency in data received from agencies.

"The Ministry believes that data collected should reflect the underlying business processes which govern relationships between the Ministry and its funded agencies.

"Service Planning is the process the Ministry has put in place to govern the resource allocation process and information needs supporting that process have been identified and refined through internal and external consultation.

"Three major actions already underway, demonstrate that the Ministry has already identified the issues raised in the Audit Report and fully intends to aggressively address them.

1) *Based on the consultation process noted above, a Services and Resources system and database has been developed to encompass all children's*

agencies (including Children's Aid Societies). Implementation planning is currently under discussion.

2) *A Ministry/Association Advisory Committee, composed of agency sector representatives and the Ministry is currently functioning, and is a key element in addressing the issues around service planning and services and resources data.*

3) *Recognizing the diversity in size, mandate and management style of children's agencies, and the resultant impact on the consistency and integrity of the data submitted, the Ministry contracted with Peat, Marwick, Medicus consultants in the fall of 1988 to carry out an Agency Impact Study.*

"The study was to:

- *Assess the state of readiness within the children's agencies to provide Services and Resources data; and*

- *Recommend realistic and effective strategies to ensure progress in implementation.*

"The consultants' report has now been received and Ministry Senior Management will be addressing findings and recommendations in September. On the basis of this report and other activities underway the Ministry will finalize an action plan to ensure the availability of services and resources data."

Ministry Leadership in Computer Development Needed

"We do not accept this general finding and, as is the case under a number of sections, find that the report has not recognized developmental work in process.

"We are pleased that the report identifies the strategies in the 1986 Information Technology Strategic Plan dealing with agencies and that you consider them to be appropriate. Two strategic directions were put forward.

"The first involved establishing a no charge source of expert advice and training on information systems and computer technology. This has been done and has been very successful.

"The second direction involved the establishment of a coordinated planning approach supported by an incentive fund. Ministry management supports the concept underlying this strategy and an assessment of agencies' automation needs was conducted two years ago. We intend to update this assessment during 1990/91. To date resources have not been available to establish an incentive fund but the Ministry will consider this requirement again in the context of other funding pressures.

"With regard to the specific references in the report we must challenge the presentation of facts related to the purchase of equipment and software in the Ottawa society. Details are contained in correspondence referenced at our June 29th meeting and files that were made available by the Area Office indicating that the society was not pressured to purchase inadequate equipment and that the appropriateness of the current system is still in dispute."

Correctional Services
Community Services Activity

3.5 Impediments to Probation Enforcement and Effective Rehabilitation, Community Services Activity, Ministry of Correctional Services

The Ministry's Community Services Activity includes the provision of probation and parole services, community treatment and rehabilitation programs and the funding of community residences operated by non-profit agencies.

Expenditures on this Activity during the 1989 fiscal year totalled $77 million (Vote 1002, Item 4).

SUMMARY

SCOPE AND OBJECTIVES

In our audit of the Community Services Activity we assessed whether:

- probation and parole orders were enforced; and
- rehabilitation programs were properly identified, planned, executed, and assessed.

Our audit included visits to five area offices, located throughout the province. Each office visit involved interviews with both the Area Manager and Probation and Parole Officers, as well as a review of procedures and a sample of both case files and various community residence contract agreements.

In addition, we sent 155 questionnaires to managers and officers of another ten area offices in order to more thoroughly assess the extent of activities and concerns identified. We received 9 of 10 manager responses and 85 officer responses.

CONCLUSIONS AND FINDINGS

PROBATION AND PAROLE SERVICES

Although serious incidences of risk to public safety had been few, breaches of probation conditions frequently occurred without adequate enforcement action. Many factors impeded enforcement of probation orders.

- **Some Probation Officers had difficulty combining their counselling and enforcing roles.**
- **Court backlogs and decisions frustrated enforcement efforts.**
- **Certain probation conditions were impractical to enforce.**
- **The number of cases an officer must handle had decreased since 1984. However, the workload was still not being evenly allocated across the Province. Officers in Metropolitan Toronto were particularly overloaded.**
- **Supervision of Probation Officers was insufficient to ensure that appropriate actions were taken and that Ministry policies were consistently followed.**

In contrast, we found conditions of parole to be much more strictly monitored and enforced.

COMMUNITY TREATMENT / REHABILITATION PROGRAMS

Rehabilitation programs were not adequately identified, planned, executed and assessed. The proportion of repeat offenders has consistently exceeded 40 per cent. Again, many factors have impeded the Ministry's efforts to provide effective rehabilitation programs.

- **Important offender information was maintained by the courts and police, yet was not readily accessible to Probation Officers.**
- **There was a shortage of effective treatment programs, particularly for those with psychiatric disorders.**
- **Insufficient effort had been made to evaluate the effectiveness of existing programs in reducing subsequent criminal behaviour.**

BACKGROUND

Offenders under the Ministry's supervision are generally less dangerous than those under the federal corrections system. Only parolees with jail sentences of less than two years or offenders with probation sentences come under provincial jurisdiction. The most common offences are theft/possession, break and enter, and assault and related crimes. At any given time, there are some 35,000 adult and 7,600 young offenders (ages 16 and 17) on probation, as well as some 1,600 incarcerated offenders on parole.

The Ministry's responsibility is discharged primarily through a network of some 600 Probation and Parole Officers located in some 120 offices throughout the Province. These Officers are required to:

- counsel offenders and provide rehabilitation opportunities to the offenders to help re-integrate them into the community;
- ensure that offenders adhere to court orders and parole conditions;
- assess needs and make referrals to various service agencies such as alcohol and drug abuse centres;
- when requested by the courts, provide written assessments prior to sentencing (some 15,000 in the 1988 fiscal year); and
- provide similar assessments to the Ontario Board of Parole prior to parole hearings (some 7,000 in the 1988 fiscal year).

The Ministry contracts with non-profit agencies for many offender services such as community residences for both adults and young offenders, various therapeutic treatment programs, as well as for monitoring adherence to some court orders such as Community Service Orders. A variety of services are also provided by some 1,400 volunteers.

Correctional Services
Community Services Activity

COMMENTARY

PROBATION AND PAROLE SERVICES

Overview

The proportion of offenders serving sentences in the community rather than in institutions had grown from 55 per cent in 1963 to 87 per cent in 1988. Under existing legislation, the maximum probation term for adults and young offenders is three years and two years respectively, with the average term being a little over 15 months.

These offenders generally must adhere to conditions stipulated by the courts. Similarly, parolees must adhere to certain conditions as directed by the Ontario Board of Parole. Typical conditions require offenders to perform community work, make restitution payments or refrain from behaviour such as alcohol and drug abuse. Offenders are also required to report to a Probation and Parole Officer either as directed by the court or as deemed necessary by the Officer.

Officers have no policing or judicial authority and can only counsel probationers and urge them to comply with their orders. Enforcement procedures include telephoning the offender, visiting the offender's home and sending a registered letter requesting a re-scheduled appointment. Once these procedures have been exhausted, the Officer may lay a wilful failure to comply charge, putting the matter back in the hands of the court to determine whether, if found guilty, a jail sentence or more stringent probation is warranted. The Ministry stresses that this alternative be used only as a last resort. Therefore, Officers are expected to use considerable discretion in deciding when to stop relying on persuasion and exercise the legal option.

Increase in Unenforced Probation Conditions Caused by Many Factors

The Ministry introduced case supervision and recording standards in 1987. **Despite the introduction of the standards, our interviews and review of probation files revealed that numerous conditions of probation were regularly violated and that the frequency of violations had worsened since our audit in 1984.** This was caused by a variety of factors, some of which were within the control of the Ministry while others were not.

In 1984, we reported that 11 per cent of cases examined showed violations of the reporting conditions set out in the probation order. In this audit, 45 per cent of the cases examined revealed repeated violations of probation conditions, often despite considerable effort by the supervising officer to ensure compliance. In some cases, several conditions were violated.

Condition	# of Cases Including the Condition	Frequency of Violations in Case Sample		Charges Laid	
		#	%	#	%
Reporting to Officer	87	19	22	3	16
Perform Community Service	30	16	53	6	38
Restitution	7	6	86	2	33

Although a number of these violations were simply technical in nature and in the Officer's judgement did not warrant legal action, the frequency of violations which did not result in charges being laid was surprising.

We further noted that probation orders were not being enforced in a consistent manner once violations occurred. Inconsistencies were observed not only between area offices but also within the same office. As well, 45 per cent of the Officers responding to our survey acknowledged such inconsistencies.

A Ministry study in 1977 found that Officers perceived their role to be primarily social workers rather than law enforcement Officers. Based on our survey and discussions with Officers, this perception had not changed. Although this approach was successful for a large number of probationers, we noted cases where the actions taken by Officers when breaches occurred were clearly inadequate.

There were a number of other reasons why charges for breach of probation conditions were not being laid. These included decisions and delays by courts which discouraged legal enforcement; unenforceable conditions; heavy workload in urban offices; and insufficient supervision of Officers, particularly in the larger offices.

Decisions and Delays by Courts Discouraged Legal Enforcement

When an Officer has to decide whether to take legal action on a probation violation, he must gather sufficient evidence to support his decision. The Officer's decision depends on his judgement as to whether the violation was wilful and, whether such wilfulness could be proven in court. The Ministry's enforcement guide states that wilfulness can only be legally proven if the Officer can demonstrate that the probationer:

- knew what was required;
- was aware of the consequences of non-compliance;
- deliberately committed the act of non-compliance; and
- was capable of complying with the conditions.

We found numerous cases where an Officer considered laying a charge for failure to report but decided against it. Two situations highlighted the judgement required.

- A probationer with a sporadic reporting history failed to report for four consecutive scheduled meetings. The Officer initiated laying a breach of probation charge. Subsequently, the probationer reported. This caused the Officer to question whether intent of non-compliance could be proved in court.
- Where a probationer with either psychiatric disorders, or a drug or alcohol problem failed to comply, it was extremely difficult to determine whether such non-compliance was deliberate, and whether it was in the best interest of the offender to proceed with a charge, notwithstanding public safety concerns.

Many probation staff maintained that breach of probation charges were not treated seriously by the courts and that this discouraged future action. They felt that charges were either plea bargained away by defense lawyers and crown attorneys or they received low priority because of lengthy court backlogs. A 1987 report on the Ontario Courts Inquiry conducted by the Ministry of the Attorney General states, "it takes too long to get to trial." Delays of up to one year in various provincial criminal courts were cited in the report.

Officers often remained in court waiting for their particular case to be heard, only to have the case postponed. Many Officers surveyed also expressed the concern that when breach charges were introduced into court they were sometimes dismissed by the judges without explanation, even though the officer believed that the evidence was clear enough to warrant a conviction.

Ministry statistics also suggested that although more breach charges were being laid, the frequency of charges had not kept pace with the increasing frequency of violations. Furthermore, the percentage of breach charges resulting in convictions had declined from 46 per cent in 1984 to 40 per cent in 1988. The Young Offender Act and the consequent de-emphasis on legal action for young offenders has also had an impact.

Unenforceable Probation Conditions

Many Officers complained about the difficulty in enforcing conditions, such as requiring offenders to:

- **perform to the best of their ability in their programs;**
- **abstain absolutely from alcohol and avoid restaurants which serve alcohol for a six-month period;**
- **observe curfew hours; and**
- **make reasonable efforts to find and maintain employment.**

One danger of probation conditions which are impractical to enforce is that Officers may develop a "nothing can be done" attitude and stop trying to enforce probation orders. Furthermore, some Officers felt that if a probationer broke one of the conditions and got away with it, the probationer was more likely to breach other conditions of the order.

Clearly, efficient and effective probation services depend on the co-ordinated efforts of the justice and corrections systems. In Ontario, co-ordination is vital because these systems are separately administered. One way the Ministry can attempt to strengthen the co-ordination is to establish an inter-ministerial committee with the Ministry of the Attorney General and police force representatives.

Issues which the committee should address include:

- Agreement on what constitutes a reasonably enforceable probation condition.

- Methods of handling or revising difficult to enforce conditions of probation.

- More efficient and timely ways to lay breach of probation charges or revoke probation. For example, Ministry staff have suggested that there could be a probation court or a day where only probation cases are heard. This way, more serious cases can be brought to the courts on a timely basis.

Heavy Workload in Urban Areas Affected Service

Although the province-wide average caseload had decreased since 1984, the perception was that other factors had served to increase workloads. In previous audits, we reported that a systematic method of allocating Officers could provide a more efficient utilization of Officers and better distribute caseloads. Our current audit suggested that, although some progress had been made, the problem still remained.

To assess whether caseloads were more equitably distributed than in the past, we reviewed caseload statistics as at December 1988. **We noted that although the province-wide average caseload had decreased since 1984, there were still significant fluctuations in Officer caseloads.**

We acknowledged that any meaningful analysis of staffing levels would have to consider many factors.

- Not all adult cases were actively administered. Each Officer could classify certain adult cases as requiring very limited supervision. As of December 1988, there were some 6,400 such cases or 22 per cent of all adult cases. Active caseloads varied from an average of 84 in the Central and Metro regions to 54 in Northern Ontario. Two Toronto area offices had active adult caseloads of over 100, yet one was as low as 65.

- In northern and rural areas, the Officer had to spend a significant amount of time traveling, and spent more time in the field and in developing therapeutic programs. The rural Officer also had more success in developing a networking system with the community, the courts and the police, which helped to reduce the workload and increase effectiveness. Urban Officers act more as a broker of services due to high caseloads and increased availability of services.

- Offenders could be either high or low risk. For instance, offenders with a history of psychiatric problems typically required much closer monitoring.

- Many Officers conduct special activities, including specialized counselling and therapeutic programs, training of new staff, and helping to arrange and review contracts with service agencies.

Consequently, we expected to find some differences in average caseload between northern and southern area offices and for offices located near psychiatric hospitals. However, our analysis indicated instances where the workloads between area offices was clearly not balanced even after taking the preceding factors into consideration.

Area managers we surveyed felt that ideal caseloads should average between 57 to 75 adult cases or 35 to 45 young offenders cases, depending on the nature and risk. This contrasted to the December 1988 province-wide average caseload of 93 adults (77 active) or 49 young offenders.

Although some research had been conducted, the Ministry had not come to any conclusion on what would be a reasonable caseload for an Officer to handle. We noted one area office had taken some initiative to address this issue. Using the Ministry's internal score sheet, developed for assessing offender risk, a computer was used to group Officer caseloads by the level of supervision required and to calculate an overall average risk score for the caseload. This average score was then multiplied by the total number of active cases to arrive at a workload factor for each Officer. This enabled the area manager to equitably distribute the workload in that area office. Such a system could serve as a basis for a more equitable allocation of Officers across the Province.

Insufficient Supervision of Officers

All staff within an area office, including Officers, secretaries and other administrative staff, reported to an Area Manager. The 48 Area Managers were also responsible for financial administration of the office, community work and agency contract management. Although seven area managers had been added in the last five years, with the recent increase in Officers there had been a 30 per cent increase in the proportion of staff to Managers during that period. With over 880 staff in area offices, Managers were on average responsible for more than 18 staff (13 officers and 5 support staff). Some supervised as many as 28.

This contrasted sharply with the equivalent position in the Ministry of Community and Social Services (COMSOC). COMSOC supervisors were primarily responsible for case file review to assess actions taken and proposed by an Officer. Typically, COMSOC supervisors were responsible for six Officers and four support staff. Each Officer carried an average caseload of 35 offenders under the age of 16.

Along with the day-to-day supervision duties, Area Managers must adhere to the Ministry's standards for case supervision and recording. These requirements included periodic "workload audits" to assess the administrative, legal, casework and community involvement activities of their Officers. All parole cases and at least 10 per cent of each Officer's probation cases were to be covered annually.

Most Area Managers surveyed felt that workload audits contributed positively to both job performance and case documentation but that they were not as effective as they should be. This was because most workload audits were done only once during the year, often too late to take any remedial action. **Some Area Managers felt that workload and time constraints prevented them from providing much ongoing supervision.**

Our file review revealed nine cases where the Officer neglected to take action even though the files clearly indicated that action was warranted. Of particular concern was one office where there was a recurring performance problem with

one of the Officers. A review of this Officer's cases drew our attention to one in particular. The probationer had originally been given a 90-day jail sentence plus two years probation. The terms of probation required that the probationer report to the assigned Officer upon release and, thereafter, as directed by the Officer. Also, the probationer was to accept treatment, therapy and counselling for addiction to alcohol, as directed by the Officer. The individual was assessed as maximum risk.

There was little or no contact or enforcement action taken by the Officer despite numerous probation violations. The probationer was in and out of jail throughout the probation period for various offences, culminating in a three and one-half year sentence on a second degree murder charge. The only entry in the Officer's case notes during the period of supervision referred to a charge of possession for stolen property.

The Officer's involvement in this case was clearly unsatisfactory. The Area Manager stated that: "There is no way of knowing if this tragedy would have been averted if appropriate supervision had been provided. The Officer's failure would have been noted in a 100 per cent audit, however, this is not generally feasible given the large staff supervised and the heavy workload carried by area managers."

In our survey of the Managers, all but one agreed that if more time were available, weekly scheduled meetings with staff would be desirable. Such a process would help to make Officers more accountable for their decisions and actions; ensure consistency in the actions taken on similar cases; provide some case familiarity in the event of Officer illness or turnover; provide a second opinion on difficult cases; and better train Officers for the future. We observed such a process working well in a smaller office.

One area office was experimenting with an Assistant Manager position. An existing Officer was assisting the Manager to perform caseload audits, liaise with and manage the contracts with service agencies, and provide more supervision and training for inexperienced Officers. The Manager stated that this greatly improved the management function and would further improve when the position was given more formal decision-making authority.

We agreed with an internal audit recommendation, on a review of the Eastern Region, that the Ministry review the workload level of area managers in specific offices. By conducting such a review, in conjunction with a review of the distribution of caseloads across the Province, the Ministry may be able to reduce the number of staff positions at those offices with lighter caseloads and create supervisory positions in the larger offices.

Parole Cases Were Well Supervised

Parolees must abide by conditions established by the Board of Parole. Standard conditions involve general reporting and behaviour requirements, while special conditions may require the individual to attend employment or school, refrain from alcohol or narcotics, or not associate with certain people.

In contrast to probation conditions, the conditions for parole were essentially followed. In only one of eight parole cases examined did a parolee fail to follow the required conditions and in this case, immediate action was taken by the Officer. The Board of Parole was informed and an arrest warrant was issued to the police to apprehend the individual.

There are two major reasons for such a contrast. Firstly, a breach of parole conditions is considered to be a more serious offense, as it has been committed by an offender who was incarcerated in the first place. Therefore, enforcement policy reflects the seriousness of the situation. Also, all parole cases are initially designated for maximum supervision and parole caseloads are kept small.

Secondly, taking action against a parole violator is relatively simple and does not require court proceedings. The Board of Parole is empowered to issue arrest warrants for parole violators. The only action required on the part of the Officer is to inform the Board of Parole.

COMMUNITY TREATMENT / REHABILITATION PROGRAMS

Overview

The Ministry has no control over either the number of persons entering the criminal justice system or the number sentenced to community alternatives. It can only reduce caseloads by providing effective rehabilitative programs which ultimately reduce recidivism (repeat offenders).

Increasingly, Ministry policy has been to contract for programs and services with the non-profit and voluntary sector. Privatization has served a twofold purpose:

- as a means of managing an increased workload; and
- as a way for communities to become more involved in the correctional process.

The Ministry administers over 300 community service contracts across the Province, with approximately 60 different agencies such as the Salvation Army, the John Howard Society, Operation Springboard, the St. Leonard's Society and the Elizabeth Fry Society.

During the 1988 fiscal year, non-residential program expenditures totalled $7.5 million. Various treatment programs were also provided under contracts with community residences at a cost of about $17.2 million.

Lack of Communication Inhibited Effectiveness

Seventy per cent of Officers we surveyed felt that better communication with the courts was needed to adequately assess risk and the needs of their probationers. Our audit confirmed a communication gap between the Officers and both the judiciary and police.

The primary means of assessing risk and developing a realistic supervision plan was to obtain reliable information about the offender's educational, social, employment, family and criminal history. Experience had shown that unless the needs of the individual were precisely identified, programs were often inappropriate and did not benefit the offender.

Although much of the information required by the Officers was maintained by the courts or police, in many instances the Probation Officer did not have ready access to it. The Officer had to compile the information through time consuming inquiry or rely on the integrity of the offender to disclose these details.

Among the information gaps cited by Officers were:

- detailed information from the police regarding the specific nature of offences and the criminal history of offenders;
- limited availability of trial transcripts and a judge's reasoning for a sentence; and
- failure to notify the Officer when the police arrested a probationer.

The following example illustrates the possible consequences of a lack of information.

An offender convicted of assaulting his wife was given a probation period of two years with conditions to report to a Probation Officer as required and not to associate with his wife. The Officer did not have the details of the nature and circumstances surrounding the crime when providing the pre-sentence report to the judge. During the period of supervision, the Officer discovered that the client had visited a psychiatrist for depression but wished not to discuss the details. As time went on, the client displayed suicidal tendencies causing the Officer to refer him to a staff psychologist. However, the client refused to accept treatment and, because treatment was not a condition of probation, the Officer could not enforce it. Some time later in the probation term, the client shot and killed both his wife and himself.

Better up-front exchange of information between police and the Officer may have persuaded the judge to make "seeking professional help" a condition of probation.

The issue of inadequate information is not a new one. Studies done by the Ministry in 1977 and 1985 and a recent Coroner's inquest, identified this as a major concern. The problem persists.

We felt that the poor exchange of information was another reason for establishing an inter-ministerial committee comprising the Ministries of Attorney General and Correctional Services, as well as police force representatives.

Shortage of Community Programs

Notwithstanding the difficulties in identifying treatment needs, almost 70 per cent of the Officers and Managers interviewed or surveyed complained of shortages of community-based rehabilitative treatment programs. Specific shortages most frequently identified were:

- counselling, psychological and psychiatric services;
- assessment/treatment for drugs and alcohol addiction; and
- employment/life skills training.

Furthermore, officers complained that even where the right kind of programs were available, they were difficult to access because community agencies with Ministry contracts had extensive waiting lists and agencies without contracts were unwilling to accept ministry referrals.

Probationers with serious psychiatric disorders caused the greatest concern. Area Managers and Officers felt that psychiatric cases were the most difficult clients. They were uncooperative, refused to report, would not take prescribed medications and at times displayed violent tendencies. Many of these individuals did not have stable or decent living accommodations and often refused treatment or were not treatable. Consequently, they required maximum supervision. A review conducted in April 1986 concluded that approximately 15 per cent of the Ministry's offenders had a mental illness which warranted psychiatric assistance.

As noted in our 1986 audit report on the Ministry of Health's mental health area: "the movement to de-institutionalize psychiatric patients has created a growing need for housing and community-based supportive services. Shortages of these facilities and services often cause discharged psychiatric patients to relapse and be remitted to hospital. High occupancy rates in hospitals have forced many patients into the community without the necessary support. The result has been a 'revolving door syndrome' at psychiatric hospitals."

One way to handle such cases would be to use Officers with specialized skills to provide more intensive supervision. A reduced caseload would provide the Officer with sufficient time to closely monitor and perhaps modify the behavior of such difficult-to-manage offenders.

In addition, the Ministry could increase its use of psychologists in probation offices and more closely co-ordinate its efforts to improve psychiatric services with those of the Ministry of Health, which has committed to a significant expansion of community mental health services in the Province.

The Ministry, in conjunction with Ministries of Health and Housing, could make attempts to establish stable and economic housing for their psychiatric clients. Perhaps this could take the form of an area office probation home in which one Probation Officer would be responsible for the residents and their probation orders.

Effectiveness of Treatment Programs Not Evaluated

In order to maximize the benefit from the various offender rehabilitation and treatment programs offered, it is necessary to assess whether a program is effective in changing the behaviour of offenders.

Although the concept of requiring offenders to attend specific rehabilitation and treatment programs is relatively new, a number of programs have existed for many years. Examples include alcohol and substance abuse programs, and life skills/employment programs. However, their effectiveness has seldom been assessed.

We reviewed contracts for seven different treatment programs as well as the programs offered by eleven community-based adult and young offender residences. Although the Ministry reviewed all of these annually, only one contract was assessed in terms of its effects on repeating offenders. A follow-up study was carried out by the agency itself.

Since the proportion of probationers having previous contact with the corrections system had consistently remained at 40 per cent for a number of years, we felt it essential that the Ministry better assess which programs are effective in rehabilitating offenders. Such information would enable Officers to target the population group that would benefit most from a program and, hopefully, would reduce the incidence of repeat offenders.

RESPONSE

The Deputy Minister's response dated September 12, 1989 included the following comments.

PROBATION AND PAROLE SERVICES

Unenforceable Probation Conditions

"Interministerial committees are currently in place and addressing specific program concerns such as Native programs, Victim Services, Group Home policies and young offender services such as Alternative Measures.

"Probation areas have established, either formally or informally, liaison with local police forces, crown attorneys, judges and court personnel. The Ministry of Correctional Services, together with Correctional Service Canada, the Metropolitan Toronto Police Force and the RCMP have been working on the establishment of a Parole Information and Communications Centre (Common Services Unit) in Metropolitan Toronto. The purpose of the centre will be to enhance communication between participating ministries as well as to co-ordinate information requests emanating from these ministries on parolees and bailees. This unit will be located at 60 Richmond Street East, Toronto, and is expected to open in the Fall of 1989.

"There is no question that co-ordinated efforts with other parts of the justice system could improve the efficiency and effectiveness of probation and parole services. We support the general intent of this recommendation and would be pleased to participate on such a committee if the other ministries are interested."

Heavy Workload in Urban Areas Affected Service

"It is encouraging to see that the auditors recognize that caseload numbers alone do not adequately reflect the work of PPOs (Probation and Parole Officers).

Correctional Services
Community Services Activity

Community Corrections Branch is currently completing a study on the workload of PPOs. Through a number of interviews with area managers and PPOs, considerable data and information has been collected and a report was completed on August 31, 1989, and is presently being reviewed by the Community Corrections Branch. This report outlines the findings and recommends methods to measure workload.

"It has already been determined in a previous study that intensive supervision of low risk/low needs clients has a detrimental effect on rehabilitation.

"Conversely, supervision involving skill development and cognitive learning components has proven effective for high-risk/high need clients. The ministry has developed a Probation Resource Centre model to provide these services, and is awaiting funding to pilot this approach.

"All probation and parole officers are members of the bargaining unit and moving them from one office to another is not easily accomplished.

"The ministry, through attrition, could consider moving complement numbers, and does continually monitor workloads in this regard, and adjusts boundaries between offices as necessary and possible.

"However, with 123 offices throughout Ontario it is not always mathematically possible to re-allocate staff (e.g. a two person office with 130 cases and an average of 65 cases per officer cannot be reduced to a one person office)."

Insufficient Supervision of Officers

With regard to the recommended review of the workload level of Area Managers:

"Such a report was completed in April 1989. This report recognized that the workload of the Area Manager has increased in recent years without a corresponding increase in resources. A number of options were proposed and are currently under consideration."

COMMUNITY TREATMENT / REHABILITATION PROGRAMS

Shortage of Community Programs

"The ministry contracted with 23 psychologists and 17 psychiatrists during 1988/89 to provide psychiatric, psychological and psychometric services to P & P offices. Existing plans to expand these services are awaiting funding approval from Management Board.

"Professional development courses are provided to probation and parole officers in Advanced Counselling Skills, Interviewing Skills, Neuro Linguistic programming, Reality Therapy and Diffusion of Hostility and Family Violence.

"A clinical review of 42,000 cases to determine psychiatric needs is beyond the capability of existing resources and is not practical. The generally accepted figure of 'disturbed' clients is 15% on any given day.

"This figure is arrived at through a March 1987 'snapshot' of all offenders in all ministry facilities which documented that 15% of our total population suffered from some form of psychiatric, psychological and behavioural disorders.

"Those clients most in need of psychiatric and psychological services are referred to professional resources who are appropriately trained to deal with mental illness.

"The minister is certainly prepared to work in closer liaison with the Ministry of Health and its Community Mental Health services in this regard."

Effectiveness of Treatment Programs Not Evaluated

"A committee has been established to recommend procedures for program evaluation.

"However an effective longitudinal study of offenders who have left our care is not possible, since we have no legal mandate to track them or to interview them."

3.6 Parole Decisions Reasonably Effective, Ontario Board of Parole, Ministry of Correctional Services

The Ontario Board of Parole is an autonomous Board accountable to the Minister of Correctional Services for its parole decisions. The Board consisted of 19 full-time members (including the Chair, Executive Vice Chairman and five Regional Vice Chairmen) and about 100 part-time members, all of whom are appointed by Orders in Council. The total expenditures of the Board for the 1989 fiscal year amounted to $3.7 million (Vote 1001, Item 11).

SUMMARY

SCOPE AND OBJECTIVE

Our audit of the Ontario Board of Parole assessed whether procedures followed by the Board showed adequate regard for public safety. Our audit included a review of 100 files to verify that established procedures were followed and that information on file supported the decisions reached. It was not our intention to question the ultimate decisions made.

CONCLUSION AND FINDINGS

The procedures adopted by the Board for making parole decisions were reasonably effective in safeguarding the public. However, better documentation of the rationale for Board members' decisions, together with ongoing reviews of selected cases, would improve their quality and consistency across the Province and further reduce the risk to the public.

COMMENTARY

Overview

Only offenders with jail sentences of less than two years, or offenders with probation sentences, come under provincial jurisdiction. All incarcerated offenders are eligible for parole consideration after serving one-third of their

sentence terms. If parole is granted, the individual resides in the community under the supervision of a Probation and Parole Officer, while adhering to standard and special conditions stipulated by the Board. Standard conditions involve general reporting and behaviour requirements, while special conditions may require the individual to attend employment or school, refrain from alcohol or narcotics, or not associate with certain people.

The parole hearings are conducted in each provincial institution by a quorum of three persons. One is a full-time member of the Board and two are part-time members, drawn from the community where the institution is located. The decision to grant or deny parole is based on three legislated criteria:

1. Has the offender derived maximum benefit from incarceration?

2. Will release aid in rehabilitation?

3. Is the offender an undue risk to community safety?

Established Procedures Are Reasonably Effective

Typically, about 10,000 parole decisions are made every year, approximately 3,500 of which are affirmative. In the 1988 fiscal year, 84 per cent of those granted parole successfully completed their parole. Of the 16 per cent where parole was not completed, only 2 per cent were revoked because of charges for other criminal offences. The other 14 per cent had their parole revoked because of violations of parole conditions.

In matters of public safety, it could be argued that even a single violation by a parolee is too many. However, given that only two per cent of paroles were revoked because of other criminal offences committed during the parole period, it is reasonable to conclude that the parole process has been effective in safeguarding the public.

Better Documentation of Decision Rationale Needed

When considering each case, the three Board members receive a variety of facts, opinions and recommendations which must be considered or interpreted before deciding the outcome. Interviews with the offenders enhance and clarify this information, particularly with respect to the inmate's character and attitude. It is the job of each Board member to analyze and synthesize the available information to arrive at a fair decision. Consequently, differing points of view are to be expected from time to time.

Our sample included 69 cases where parole was granted. Of these, there were 24 cases where the Board disagreed with a "NO" recommendation made by either the police or ministry staff involved in the process, yet the rationale was not documented. Although it was difficult to conclude definitively from the limited documentation available, it appeared that good release plans for future reintegration of the offender into the community was the prime consideration for the decision and not the offender's history.

Comments on Ministry and Crown Agency Audits

Given the many factors to consider, we recommended that the rationale for all decisions be better documented. This would assist the Regional Vice Chairmen and the Office of the Chair to review decisions and bring their experience to bear in training new Board members.

The Board recently completed a detailed study of ten serious cases of parole violation and reached the same conclusion. In fact, the study went a step further to question the quality and/or completeness of the information package provided to the Board members prior to a hearing. As a result of this study, the Board was considering a number of improvements:

- audio taping the proceedings and the decision and rationale statements;
- reviews by the Regional Vice Chairmen of a random sample of the files to provide feedback to Board members; and
- a limited audit of the files by the Chair's office.

We agreed that all three suggestions had significant merit.

RESPONSE

The response from the Chair, Ontario Board of Parole included the following comments.

"The Board has been aware of the need to improve documentation, and had therefore already decided to take certain actions before your audit had commenced. In March of 1989, the Board introduced, as a matter of policy, 63 decision-making factors to be used as 'a reference point in considering all in-person initial and review (i.e., not post-suspension) parole hearings'. The Board is currently considering various ways of incorporating these guidelines into a standard reading/hearing/decision-making form. A final form is expected to be developed, tested and in use by March 1990."

The response also indicated that the Board:

- *is in the process of designing a number of staff training courses to enhance the skills of Board members in conducting parole hearings and making/writing parole decisions. These courses are part of the Board's corporate staff training and development plan which was developed in April of 1989. Two new courses, on the role and responsibilities of the hearing chairman and case preparation, will be offered during the 1989/90 fiscal year, while courses on interviewing and decision-making/writing will continue to be offered in the 1990/91 fiscal year.*
- *will be introducing the standard practice of audio-taping all parole hearings. This is expected to improve record-keeping of parole hearing proceedings. This practice will commence early in the new fiscal year.*
- *is developing a comprehensive program evaluation and review plan for promoting the formal and ongoing review of compliance with, and adequacy of, Board policies and practices. We hope to have this plan finalized by March of 1990.*

- *has already established a limited practice of auditing files at the regional level to review field compliance with Board policies.*

3.7 Improved Practices Required, Management of Leased Accommodation, Ministry of Government Services

The Ministry of Government Services is responsible for the provision of all Government accommodation, including the conducting of all negotiations and the signing of all agreements.

For the 1989 fiscal year, the Ministry administered approximately 1,700 leases requiring annual payments of approximately $153 million.

SUMMARY

SCOPE AND OBJECTIVES

Our audit covered the planning, acquisition and utilization of leased accommodation.

Our audit objectives were to assess whether:

- the planning process identified accommodation requirements on a timely basis;
- accommodation requirements were acquired economically and in accordance with Management Board Directives; and, whether
- procedures were adequate to ensure the maximum use of accommodation.

CONCLUSIONS AND FINDINGS

INADEQUATE PLANNING PROCESS

The planning process did not identify accommodation requirements on a timely basis. Contrary to Management Board Directives, a five-year plan to identify current and future accommodation requirements was not prepared.

REGARD FOR ECONOMY

Leased accommodation was generally acquired economically and in accordance with Management Board Directives. However, while the purchase of accommodation is recognized as generally more economical than leasing, the proportion of leased to owned space, particularly in Metropolitan Toronto, continued to increase.

With respect to leases reviewed, we noted that some specific location requirements were inadequately justified. Restricting the area of search to a particular building or geographical area could result in unnecessarily higher costs.

Comments on Ministry and Crown Agency Audits

EFFICIENT USE OF SPACE

Procedures were not adequate to ensure maximum use of Government accommodation. This was partially due to conflicting responsibilities between the Ministry and other ministries.

The leased space information system was not accurate and had not been updated for at least two years.

BACKGROUND

Per Management Board Directives, "The Ministry of Government Services is responsible for the provision of all government accommodation and shall ensure the optimal overall utilization of the total inventory of government accommodation." To assist in this process, the Ministry is to maintain a central inventory of all accommodation indicating the specific allocation of space to ministries.

Ministries are supposed to inform the Ministry of Government Services immediately of all changes in use or occupancy which affect the central inventory.

Management Board Directives assign the responsibility for identifying accommodation requirements to each ministry. These requirements are then to be submitted to Government Services, which is to prepare and maintain a five-year accommodation plan. This plan is to be submitted annually for review and approval by Cabinet.

COMMENTARY

INADEQUATE PLANNING PROCESS

Five-year plans would provide the Ministry of Government Services with the necessary lead time to ensure accommodation requirements are acquired economically. This could include consolidating a number of requests into one package. However, such plans **were not being prepared. We were advised that multi-year planning for accommodation is not possible since ministries do not provide the required information.**

Lack of long-term accommodation planning places the Ministry in a reactive rather than proactive position. By having to fill individual client ministry requests as they arise, often on relatively short notice, the Ministry is unnecessarily limited in its options.

A number of new lease projects that we reviewed, required the space to be ready within one year. In our opinion, this was insufficient lead time to properly plan, evaluate and acquire accommodation, particularly where a lot of space was required.

REGARD FOR ECONOMY

Client ministries are required to submit their accommodation requests to Management Board with a copy to the Ministry of Government Services. These requests normally include a detailed space analysis which is reviewed by the Ministry based on maximum space entitlements prescribed by Management Board.

Government Services
Leased Accommodation

Management Board approval is required for all lease projects with new or increased space requirements that result in additional annualized rental charges exceeding $25,000.

Leased accommodation was generally acquired economically and in accordance with Management Board Directives. However, the following matters were noteworthy.

Purchase vs. Leasing of Long-term Accommodation

The Ministry of Government Services has for some time been one of the largest landlords and tenants in Ontario. Various studies indicate that for a number of years, the Ministry has been concerned about the extent of its leasing requirements, particularly in the Toronto core area, and the potential effect of significant lease rate increases.

Recognizing that owning long-term accommodation is usually preferable to leasing, **Management Board Directives require that major, long-term accommodation requirements be financed through capital acquisitions rather than through lease or lease-purchase agreements.**

However, the amount of leased space in Metropolitan Toronto has steadily increased in relation to the space owned. While the Ministry leased approximately 3.8 million rentable square feet, or 30 per cent of its space requirements in Metropolitan Toronto in 1983, leased space increased to 4.6 million rental square feet, or 35 per cent of requirements, by 1988. With the exception of the relocation of some ministries out of Toronto, there has been little replacement of leased with owned office space.

Location Requirements for Leased Accommodations Inadequately Supported

Accommodation requirements, including preferred locations, are normally specified by the client ministry. The Ministry of Government Services, as a service provider, often accepts these specifications. However, **we noted that some specific location requirements were inadequately justified.**

Restricting the area of search to a particular building or geographical area could result in unnecessarily higher costs. For example:

a) In November 1985, the Ministry of Housing identified a need for approximately 14,400 rentable square feet for the Rent Review Division. Management Board approved the request for space on the condition that it be acquired by competitive bids. The Ministry of Housing requested that the Rent Review Division be located in 777 Bay Street, the same location as the Ministry's head office.

   The Ministry of Housing indicated that locating away from it's current head office would require a total of approximately $500,000 in additional program support costs over the initial five years. This consisted primarily of mail service and communication costs. The reasonableness of this figure could not be substantiated.

The Ministry of Government Services advertised for the total space requirement of 21,100 rentable square feet in February 1986. Fourteen submissions were received of which three were eliminated for being outside the advertised boundaries. Of the remaining 11, four were put on the short list of potential choices. The Ministry of Government Services noted that three of these represented the best real estate value. **The fourth, 777 Bay Street, which was also the highest cost alternative, was included on the short list at the request of the Ministry of Housing.**

Eventually a lease for 17,800 rentable square feet was arranged at 777 Bay Street for the Rent Review Division. **The cost of this space for the initial five years exceeded the lowest cost proposal by approximately $280,000. The difference will increase dramatically if the lease is renewed for another five years.**

In March 1989, we noted that approximately 2,000 square feet of the space leased at 777 Bay Street was vacant, while the balance was being used for various Ministry of Housing executive offices, not the Rent Review Division. In fact, most of the Rent Review Division was located in temporary quarters at another location.

Since part of the justification for locating at 777 Bay Street was the $500,000 in additional costs for locating elsewhere, the final outcome of the process was questionable.

b) In March 1987, the Ministry of Energy submitted a request to Management Board to relocate the Ontario Energy Board to another location reasonably close to the Queen's Park area. The Ministry of Government Services' profile report identified two options:

- lease in the vicinity of the client's preference; or
- search for an alternate location within Metropolitan Toronto.

In May 1987, Management Board approved the area of search for this lease request to be within Metropolitan Toronto. However, Management Board later clarified that its expectation in a case like this would be that the Ministry of Government Services and the client Ministry would agree on a more limited area of search within Metropolitan Toronto, but not downtown.

At the request of the Ontario Energy Board, the area of search was subsequently limited to the Yonge subway line north of Summerhill. We were unable to determine how this area of search was selected or why it was deemed to best serve the needs of the Ontario Energy Board.

The Ministry of Government Services advertised for tenders in July 1987. **The lowest cost proposal was not accepted because it was not directly on the subway line.** (Although accessible by bus, the nearest subway stop was approximately a 15-minute walk from the site.)

By rejecting this proposal, the Ministry will incur additional leasing costs of over $250,000 during the initial five-year term of the lease.

We noted that the rejected location was found to be suitable for the Ministry's bulk lease proposals in the following year. (Bulk leases were large leases of space which would be allocated to several ministries).

c) In July 1987, Management Board approved the leasing of up to 215,000 usable square feet of accommodation through bulk leases. To the greatest extent possible, space was to be located in suburban locations of Toronto.

The Ministry of Government Services advertised for proposals for quality buildings within one kilometer of a subway or rapid transit line. The 29 proposals received were in four zones: fringe downtown core, north Yonge Street, west Metro and east Metro. The proposals were ranked based on building, cost and location criteria. A total of 138,000 usable square feet was leased as a result of this process.

Client ministries were permitted to select accommodation from the successful proposals without further Management Board approval. Management Board approval was only required when a ministry wanted to locate in the downtown core.

As a result of this process, **client ministries only selected space in the fringe downtown core and north Yonge Street. We noted that, on average, lease rates in the two zones from which no selections were made were 20 to 30 per cent less costly than those in the North Yonge zone.**

Considering the significant difference in costs, client ministries should have been encouraged to locate in the lower cost zones since buildings situated there also met the qualification criteria. It should be noted that some of the buildings in west Metro and east Metro were ranked higher by the Ministry than some of the buildings selected.

d) Management Board's requirement of obtaining competitive bids can be waived where:

- a relatively small amount of space is to be obtained adjacent to existing accommodations;
- the preference for a particular location has been adequately demonstrated; or
- time constraints do not permit a tender or re-tender process.

Consequently, a number of leases reviewed were not publicly tendered. In these cases, we were unable to determine whether the leased accommodation was the most appropriate and economical. For example in January 1987, the Ministry of the Attorney General needed space to hold a major trial. Attorney General staff originally considered a number of locations, including existing facilities in Newmarket and Milton.

However, none of these could be made available for the time needed. In addition, senior staff of the Ministry of the Attorney General expressed preference for downtown Toronto.

The Ministry of Government Services indicated to Management Board that there was no suitable existing Government-owned or leased space available at that time. In October 1987, Management Board approved leasing 13,600 usable square feet of space.

In January 1988, the Ministry advertised for proposals for space in downtown Toronto. Six responses were received. We were advised that two of these were rejected because the buildings were still under construction and would likely not be ready by the date specified. Another two proposals were rejected for technical reasons. Of the two remaining proposals, the lowest cost proposal did not offer a renewal clause as required by the Ministry. This proposal was eventually withdrawn from the competition.

The Ministry accepted the only remaining proposal and entered into a five-year lease for 14, 200 rentable square feet at a cost of $44.30 per square foot, or $630,000 per year. Considering the significant cost of this space, we questioned why other arrangements were not made for the trial, such as moving it out of the downtown Toronto core.

EFFICIENT USE OF SPACE

Conflicting Responsibilities

In 1985, we reported that **the Ministry had been assigned conflicting responsibilities regarding the accommodation portfolio resulting in inadequate assurance that Management Board policies were being followed. At the time of our latest audit, the same situation still existed.**

Management Board Directives state that each ministry is responsible for the economical and efficient use of the accommodation allocated to it. On the other hand, the Ministry of Government Services is responsible for ensuring the optimal overall utilization of the total inventory of Government accommodation. In order to meet these requirements, client ministries are required to:

- report and relinquish all surplus space to the Ministry of Government Services for reallocation, lease termination or disposal; and

- inform the Ministry of Government Services immediately of all changes in use or occupancy which affect the central inventory.

These requirements were often not being met. In that regard, **we found inadequate procedures to ensure the overall optimal utilization of space.**

Government Services
Leased Accommodation

Accommodation Management Information System Not Accurate

The Ministry's computerized Accommodation Management Information System is designed to maintain an accurate record of the allocation and use of both owned and leased space. The accuracy of this space information system is essential to monitoring the total space assigned to a particular ministry and to assess additional entitlements.

We found that the space allocation information in the System was not accurate and not up to date, therefore limiting its usefulness. We were advised that the Ministry last attempted to obtain occupancy information from client ministries in September 1987. However, no further attempts had been made to update the data.

Concerns about the completeness and accuracy of information contained in the System and its effect on the planning process were also noted in our 1985 report. At that time, the Ministry indicated that a major review project had been initiated to significantly enhance existing systems and procedures. Based on our latest audit observations, the results of this review were not visible.

Lack of Overall Space Reconciliation

In conducting our audit of individual lease projects, we noted a number of instances where the space acquired exceeded the amount approved by Management Board. Total entitlements are expected to approximate the actual space acquired and occupied.

As we noted in our 1985 report, accommodation is provided to client ministries, for the most part, without charge. Therefore, ministries are not financially accountable for their accommodation decisions. Accordingly, there is little incentive for ministries to declare surplus space. Based on existing responsibilities, the Ministry of Government Services cannot plan for, or re-arrange, accommodation until such a declaration is made.

We noted that there were no requirements for ministries to certify what space is occupied by them or whether it is efficiently used. Furthermore, since the Ministry of Government Services does not periodically review client ministries' space entitlements, occupancy and utilization, it would, in most cases, not be aware of space vacancies or underutilization.

RESPONSE

The Deputy Minister responded to our report on September 15, 1989.

"We have canvassed our client ministries for their specific comments on issues where they were named. We have incorporated their comments in this response."

INADEQUATE PLANNING PROCESS

"The Capital Expenditure Plan which is the current five-year capital planning process is administered by the Management Board Secretariat. At Management

Board Secretariat's request, MGS (Ministry of Government Services) *annually integrates the five-year capital accommodation requests of Ministries under this process which does not address leasing projects. The Directives are being revised to reflect this approach.*

"MGS has launched a head office planning process which requests Ministries to identify their ten-year requirements and MGS is currently working with four Ministries and have targeted three additional Ministries towards finalizing these plans.

"MGS has been taking a more strategic supply-oriented approach to the accommodation planning process. The MGS Local Portfolio Planning Process does review accommodation holdings to develop a framework for subsequent action for both leased and owned accommodation in specific municipalities. Client Ministry requirements are then addressed within this planning framework."

REGARD FOR ECONOMY

Purchase vs. Leasing of Long-term Accommodation

"The Directive is being reviewed to be cognizant of other mechanisms which may be used to acquire ownership over time. MGS is seeking corporate approval to access a range of financial mechanisms such as leasebacks, joint ventures and lease/purchase.

"In keeping with the principles approved by Cabinet in 1982 and as amended in 1986, but cognizant of changing circumstances, MGS has been developing projects for the retrofit/replacement of existing buildings and the provision of new office space in Metro including decentralized locations out of the core.

"MGS is actively working on four projects for new office space on owned sites in Metro Toronto totalling over 1,000,000 square feet. In addition, MGS plans to retrofit an owned building, to be vacated under the Northern Ontario Relocation Program, as a replacement for leased space. Completion of these projects will be dependent on corporate approval for capital or the use of a range of innovative ownership mechanisms. Leased space will, however, remain a flexible mechanism for meeting demands for accommodation to house unanticipated program needs."

Location Requirements for Leased Accommodations Inadequately Supported

(a) *"Leasing Services Branch selected the lowest net lease cost which included recognition of the client Ministry's specific operations needs costed at $500,000 as outlined by the Ministry of Housing.*

"The Ministry of Housing advises that its was imperative at the time we negotiated this lease to have the Rent Review Program located in the same facility as the Ministry of Housing support services. At that time, the Ministry was developing legislation, policies and procedures for this new program and

it was essential that staff have ready access to support services, e.g. to Management Services Branch for the development of the Rent Registry; Communication and Information Services Branch for advertising, public relations; Legal Services Branch for assistance in drafting legislation. This space was intended to be used by the Rent Review for a temporary time, that is, until the legislation, regulations and policies were developed, the organizational process put in place and the program operational. The Rent Review Services Branch has since been able to relocate to less costly space elsewhere.

"During the course of this audit (March 1989), the Ministry was renovating 1,250 square feet of office space (not 2,000) to accommodate additional staff for the Assistant Deputy Minister, Housing Supply, Policy and Rent Review, and others. This space has been fully occupied since mid-April, 1989.

(b) *"The Ontario Energy Board specifically requested, by memo dated May 29, 1987, that the leased space be near the north/south subway.*

"The Client decided not to accept the building which required a fifteen minute walk, due to the nature of its program requiring numerous hearings. Significant savings were achieved in the building selected as the client accepted the space with minimal leasehold improvements.

"In the second instance, the bulk lease projects did not indicate the need or preference for subway proximity and therefore this building was acceptable to the Clients.

"There were eight responses to the public advertisement. Four proposals were short-listed. One of these was disqualified as the landlord would not consider a gross lease format as required in the proposal call. The award was made to the lowest cost proposal, i.e. 2300 Yonge Street.

"The Ontario Energy Board advises that as it is a public hearings Board accessibility and convenience to the public is a key consideration. Historically, the Board has been located in the downtown core directly accessible by subway. When Management Board's approval excluded consideration of the downtown core, the Energy Board identified the north/south line as its preference because of more suitable space having regard to its priority of public convenience and accessibility.

"The Ontario Energy Board also advises that any incremental costs incurred by it due to its move (LHI, moving expenses, leasing costs) were passed on through special levies to its clients in accordance with Management Board Directives.

(c) *"A major principle of the bulk lease project was recognition of the Client Ministry's operational requirements. The choice from the buildings which qualified was solely the clients.*

(d) *"The Ministry of the Attorney General determined that the space must be located in the downtown core to accommodate and provide easy accessibility for the hearing participants.*

"Further, the designated occupancy deadline for the hearings precluded a second advertisement for the space in alternative locations.

"The Ministry of the Attorney General advises the following:

- *The major trial referred to could not have been held in Newmarket or Milton as the report notes because of the anticipated duration of the trial. In addition, however, the amount of space required was not available in either of the court houses.*

- *The large space required was due to the trial involving many defendants' counsel as well as a large team of Crown counsel. The nature of the proceedings was such that a very large volume of police evidence had to be immediately available throughout the trial, therefore, it all had to be accommodated at the courtroom site.*

- *While the cost of renting equivalent space outside of Metropolitan Toronto might have been somewhat lower, the costs of transportation for all concerned, many at the taxpayers' expense, would have been significantly higher. The inconvenience to all participants by having to 'commute' was also considered as one factor in the decision."*

EFFICIENT USE OF SPACE

Conflicting Responsibilities

"The Directives are being revised to more clearly state the accountability of individual Ministries for their space utilization, to indicate the requirement for each Ministry to have the appropriate monitoring processes, and to identify space utilization as one of the items subject to internal audit.

"Recognizing the need to review and clarify accommodation and real estate policies and procedures, Management Board Secretariat, with the participation of MGS and others, is currently reviewing existing directives with a view to providing appropriate recommendations for change."

Accommodation Management Information System Not Accurate

"Recent measures have been taken to improve the rate at which information is entered into the system, the process by which data capture and entry are accomplished, and the method used to obtain current information on client occupancies."

Lack of Overall Space Reconciliation

The response included the following comments:

"Space under lease for clients is considered part of their allocation and clients are responsible to ensure the efficient and economical use of the space allocated to them.

Government Services

Management of Government-owned Buildings

"The existing process allows the client up to 24 months advance notice to determine continued need for leased space due for renewal. In future, as part of the lease renewal procedure the Client Ministry will be required to confirm that the entire space has been allocated and is occupied, or otherwise required.

"Some Client Ministries, due to their on-going expansion and undefined backfill requirements, have continued to occupy space which otherwise would have been declared surplus.

"According to Management Board directives, declarations of surplus space are the responsibility of Client Ministries."

3.8 Repair Procedures Not Followed and Services Not Acquired Economically, Ministry of Government Services

The repair, operation and maintenance of Government-owned buildings is primarily the responsibility of the Ministry of Government Services' Property Management Division.

For the 1989 fiscal year, these expenditures totalled $113.4 million.

SUMMARY

SCOPE AND OBJECTIVES

Our audit of Government-owned buildings included activities at the Ministry's Central Operations Branch and visits to three district offices.

Our audit objectives included an assessment of Ministry procedures to ensure:

- repair projects were undertaken only when necessary and in order of priority;
- repair, operation and maintenance services were provided economically; and
- Government-owned buildings complied with building codes and regulations.

CONCLUSIONS AND FINDINGS

NECESSITY AND PRIORITY OF REPAIR PROJECTS

Procedures did not ensure repairs were undertaken only when necessary and in order of priority.

- **Business cases lacked sufficient detail to demonstrate either the necessity of approved repairs or the alternatives considered.**
- **There were significant deviations from established priorities.**
- **In a number of instances, projects were divided into smaller projects, thus avoiding a more stringent approval process.**

Comments on Ministry and Crown Agency Audits

ECONOMY OF REPAIR PROJECTS

Repair services were not acquired economically.

- **There was insufficient detail to determine whether proposed costs or amounts paid were reasonable.**
- **Contracts were frequently awarded at amounts significantly higher than the Ministry's estimates with no explanation.**
- **There was no assurance that any additional or unanticipated work was at reasonable rates. For example, changes to one project cost $737,000, including $124,000 in mark-ups.**

OPERATION AND MAINTENANCE SERVICE AGREEMENTS

Operation and maintenance services were not acquired economically.

- **The reasonableness of amounts paid was not demonstrated. For example, the value received under one contract was approximately $4,500 per month. However, the Ministry paid $13,000 per month.**
- **Acquiring elevator service through competitive bids could have realized substantial savings. In one district alone, such savings would have amounted to $1 million or more over the life of the existing agreements.**

COMPLIANCE WITH BUILDING CODES AND REGULATIONS

The Ministry did not have a regular ongoing process to assess the extent to which Government-owned accommodations complied with applicable building codes or regulations. However, the Ministry was aware that significant non-compliance existed. The Ministry estimated that:

- **it would cost approximately $3 million per year to comply with the fire alarm and protection systems maintenance requirements of the Ontario Fire Code. As well, $50 million may be required to retrofit health care facilities to meet Fire Code requirements; and**
- **$38 million is required to provide access for the handicapped to applicable Government buildings. The Ministry has since announced a five-year $38-million program to improve handicapped access.**

BACKGROUND

The Property Management Division operates on a decentralized basis. There are four regional offices which are responsible for the ten district offices.

Regional and district offices receive annual expenditure allocations for the programs under their jurisdiction. Virtually all aspects of the repair, operation and maintenance of Government buildings are contracted out to the private sector. This has changed the emphasis of the Division's personnel from performing the work to providing contract management and ancillary services.

Government Services

Management of Government-owned Buildings

Repair, operation and maintenance expenditures for 1988/89 were:

	$ (millions)
Repairs over $50,000	29.5
Repairs under $50,000	20.1
Operation and Maintenance	63.8
	113.4

COMMENTARY

NECESSITY AND PRIORITY OF REPAIR PROJECTS

Overview

The Government's aging inventory of buildings is increasingly in need of major repair. This contributed to the introduction of a Province-wide assessment and approval process for all proposed repair projects which are estimated to cost $50,000 or more.

District offices normally identify candidate repair projects during annual building inspections. Business cases are then prepared to demonstrate necessity, analyze alternatives, and defend the preferred option.

Prospective repair projects are prioritized as follows:

1. Non-repair would adversely affect the client ministry's program delivery;
2. Repair is a health and safety issue to either staff or the visiting public;
3. Repair would have to be done later at a higher cost; and
4. Repair is cosmetic or appearance-enhancing.

We were informed that business cases and priorities are discussed at an annual divisional meeting and approvals are based on Province-wide priorities. A list of approved projects is prepared at that time.

Repairs estimated to cost less than $50,000 do not require the preparation of a business case and are not subject to a Province-wide assessment and approval process. These repairs are funded by lump sum allocations to regions and districts after discussion with head office and field operations staff.

Business Cases Not Detailed

The majority of business cases we reviewed were inadequate. There was insufficient detail to demonstrate the necessity of the repair, the alternatives considered, or the basis for recommending that the repair proceed as planned.

Repairs Did Not Proceed in the Assessed Order of Priority

Our review of the 1988/89 list of approved repair projects over $50,000 indicated that:

- Projects "over $50,000" approved at the beginning of the year for the three districts visited totalled approximately $13 million. However, expenditures on these projects totalled $8.2 million. In addition, **$5 million was spent on other "over $50,000" repair projects not originally approved. There was no evidence that these latter projects were subject to a divisional assessment and approval process to ensure that they were of higher priority than approved projects not undertaken.**

- **One district received approval to proceed with $1.2 million in priority three projects such as replacing carpets and fixing windows. At the same time, other districts could not proceed with priority two projects (health and safety concerns), primarily due to a lack of funds.**

Splitting Large Repairs Avoids Assessment and Approval Process

Large repairs, which normally would be considered one project, sometimes were divided into smaller projects costing less than $50,000 each.

In one instance, carpets were replaced on three consecutive floors at the same time, for $104,000. Rather than treating the repair as one project, a work order was issued for each floor, each under $50,000.

This avoided the approval process required for projects over $50,000.

ECONOMY OF REPAIR PROJECTS

Overview

Contracts for repairs estimated to cost over $2,000 are normally awarded as a result of a public tender. However, where time does not permit an advertised tendering process, or where it is deemed desirable to limit the competition to previously qualified contractors, a minimum of three contractors are invited to bid. Contracts are always awarded to the lowest bidder.

To ensure that tendered bids are reasonable, Ministry staff are required to prepare pre-tender repair cost estimates. If an estimate varies by more than 20 per cent from the lowest bid, reasonableness must be established before the contract is awarded.

Reasonableness of Accepted Bids Often Not Established

Contracts were often awarded for amounts significantly in excess of the Ministry's cost estimates with no explanation as to whether the amounts were reasonable.

The Ministry's pre-tender cost estimates, contractors' bids and invoices lacked sufficient detail. Consequently, we questioned how the Ministry determined the reasonableness of the successful bids prior to awarding the contracts. In some instances, contract costs were more than double the Ministry estimate. For example:

- In February 1986, highly toxic material was discovered inside the walls of a laboratory building. In September 1986, an architect was hired by the Ministry to prepare specifications and to remove the material. The architect prepared a detailed cost estimate totalling approximately $74,000. This included a $10,000 allowance for possible cost overruns. In March 1987, the Ministry revised the estimate to $88,000.

  Rather than publicly advertising the project, the Ministry invited five contractors to bid. The only bid received was for $193,000. We were informed that the bid was accepted primarily because "of the complex nature of the project and the amount of time it would take to re-tender."

  An assessment of the reasonableness of the bid, including an analysis of labour and material costs, would normally be expected. The Ministry was unable to provide any information that would justify the significant difference.

- In 1985 a project was initiated to upgrade controls for six elevators in a psychiatric hospital. This project was incomplete at the time of our audit.

  The Ministry estimated the cost at $90,000. The lower of the two bids received was $189,000. There were no supporting details available for the estimate.

  The Ministry noted that, even after taking into account control changes, the average price of approximately $31,000 per car was high when compared to $13,000 paid for a one-car modernization at another location. The Ministry felt it had no alternative, reasoning that "bidders are reluctant to take on modernization work without an excellent return." Due to additional work, the estimated cost of the project has increased to $250,000.

We were advised by Ministry staff that they rely on the competitive tendering process. Regardless of what is estimated, the lowest bid is considered to be current market price. In our opinion, such reliance was often unwarranted, particularly where there were invitational tenders or where less than three bids were received.

Inadequate Controls over Change Orders

In a number of projects, the scope of the work changed significantly after the contract was awarded. This necessitated the issuance of change orders.

Establishing the necessity for, and the reasonableness of the cost of, change orders is essential. The additional work is neither subject to the normal planning process nor acquired through competitive means. We found that, in general:

- **the necessity of change orders was not adequately demonstrated;**

- **the Ministry did not estimate the associated costs; and**

- **the Ministry did not receive sufficient information to determine the reasonableness of the revised costs.**

In some cases, it likely would have been more economical for the Ministry to acquire the services through competitive means. For example:

- A project to refurbish the heating and ventilation system at a rehabilitation centre was awarded to the lowest of four bidders for $3.9 million. Subsequent to the commencement of the work, it was discovered that the centre had asbestos in its insulation. This had to be removed.

  The Ministry issued six change orders to the contractor totalling $737,000 for asbestos removal. There was no evidence that the Ministry had estimated the cost of this work prior to issuing the change orders.

  The contractor did not provide detailed cost estimates, a description of the work or details regarding labour and material costs. Without these, it was not possible for us or, in our opinion, the Ministry to determine the reasonableness of the amounts paid.

  The contractor's invoices also lacked detail. However, we were able to determine that $124,000 of the $737,000 consisted of mark-ups paid to the contractor and a sub-contractor. Since the mark-ups were a percentage of the cost of the work, the contractors had no incentive to keep costs down.

  Hiring asbestos removal contractors directly would have avoided $124,000 in mark-ups.

- A contract to renovate a judge's suite in a provincial courthouse was awarded to the lowest of five bidders for $49,500. Seven change orders brought the total price to almost $98,000.

  In our opinion, some of the amounts paid were unreasonable. For example:

  - The Ministry estimated the value of the work for one change order to be approximately $10,000. The amount paid was $27,500.

  - The contractor was paid $12,500 for the removal of ceiling insulation containing asbestos. The asbestos had not been identified prior to awarding the contract. The payment included approximately $3,000 in commission fees to intermediary contractors.

Questionable Payments

Some expenditures were questionable.

- The Ministry replaced all light fixture lenses and fluorescent bulbs on nine floors of a Government complex at a cost of approximately $360,000, of which $45,000 was for the bulbs.

We were advised that the bulbs were replaced at the same time as the lenses because labour costs are the most significant cost of bulb replacement. The additional cost would be minimal at the time of lens replacement since workers were already working on the fixtures.

However, we noted that the existing janitorial services contract for the complex included parts and labour for bulb replacement in the price.

- The Ministry enters into "unit price" contracts if:

  - the work is generic and can be reasonably priced on a per unit basis. In such cases, estimates are normally limited to determining the quantity of work to be performed; and

  - lower prices can be obtained because of the larger volume of work resulting from a unit price contract.

  As a result of our 1984 audit, the Ministry developed policies and procedures governing unit price contracts. These included:

  - unit price contracts are to be used only when the value of the unit price exceeds 50 per cent of the total work in a contract; and

  - where a non-unit price component in the contract exceeds $10,000, the unit price contractor must obtain a minimum of three competitive bids.

  In our opinion, this addressed the issues in our 1984 report. **However, we were concerned about adherence to these policies and procedures.**

  In reviewing a unit price contract which totalled approximately $750,000, we found that only 35 per cent was for unit price work. The remainder was for sub-contracted work ($336,000) and mark-ups ($148,000).

  This arrangement contravened the requirement that unit price work must exceed 50 per cent of the total work. **After reviewing the payments on this contract with us, Ministry staff agreed that some of the mark-ups should not have been paid.** We understood that the Ministry would attempt to recover these amounts.

OPERATION AND MAINTENANCE SERVICE AGREEMENTS

Overview

Most building operation and maintenance services, previously performed by Ministry personnel, are now contracted out. Services which are contracted out include skilled trades such as maintaining and repairing elevators, heating and ventilation systems, and basic functions such as janitorial and security services.

Operation and maintenance services are normally acquired through a publicly advertised tendering process. Exceptions are made for elevator and air conditioning maintenance services which are normally acquired by negotiation with the equipment's manufacturer.

Most operation and service agreements are for three-to-five years. Annual cost increases are permitted based on wage increases in the respective trades.

Contract Costs Appear Questionable

Where Ministry-prepared estimates vary significantly from the lowest bid or the negotiated price, the reasonableness of the price must be determined before the contract is awarded.

However, for a number of agreements reviewed by us, the reasonableness of the estimated costs was not adequately demonstrated. The labour and material costs were not supported. In addition, variances between the Ministry's cost estimates and the contract price were not effectively reviewed and approved. Consequently, we questioned how the Ministry determined reasonableness prior to awarding the contract.

For example, the Ministry estimated that a five-year elevator maintenance and repair agreement would cost $535,000. The lower of the two bids received was for $744,500, approximately 40 per cent above the Ministry's estimate.

The Ministry awarded the contract to the lower bidder. We were informed that the Ministry's estimate was based on a two-year agreement while the amount bid was for five years. Other available documentation suggested that the Ministry estimate was for a five-year agreement. If the Ministry estimated only for two years, its estimate would have been $267,500 per year compared to the $149,000-per-year bid.

Determining reasonableness is even more important for negotiated contracts. Contractors, aware of their unique position, may be tempted to overprice. For negotiated agreements, estimates were often based on the previous contract plus a factor for inflation. This practice might perpetuate previous uneconomical expenditures.

For example, we reviewed a negotiated elevator maintenance agreement for a major Government complex. A log of service calls had been maintained for six months prior to our audit. Our review of this log indicated that, on average, contractor staff spent 62 hours per month on site. The industry rate for service calls was approximately $60 per hour plus an additional cost of 20 per cent for materials.

The value of the service received was approximately $4,500 per month. The contract required the Ministry to pay approximately $13,000 per month.

Excessive Costs of Negotiated Elevator Service Contracts

Previously, virtually all elevator service agreements had been negotiated with the particular manufacturer, rather than tendered. In the fall of 1986, Ministry staff reviewed and questioned this practice. As a result, a contract which had previously been negotiated, was awarded by public tender in 1987.

While payments under the previous agreement were $6,900 per month, the low bid for equivalent service from another contractor was $3,470. The Ministry accepted the low bid. The total savings on this five-year contract amounted to over $200,000.

The incumbent contractor bid a price of $4,670 per month, over 30 per cent less than the amount previously paid under the negotiated contract.

In the same district, there were 21 other negotiated elevator service contracts calling for a minimum payment of $817,000 per year. **Based on a 30 per cent cost saving, we estimated that, in this district alone, tendering would have saved the Ministry more than $1 million over the life of the existing agreements.**

Considering the close proximity of many of the buildings, further savings may have been realized by consolidating some of the 22 separate agreements.

COMPLIANCE WITH BUILDING CODES AND REGULATIONS

Non-compliance with Ontario Fire Code

The Ontario Fire Code mandates the inspection, testing and maintenance of fire alarm and protection systems, and related equipment. However, the requirements of the Code have not been adhered to.

The Ministry of Government Services, in conjunction with other ministries, had discussions regarding requirements in the Fire Code. In a November 1988 document, three options were discussed:

- Do Nothing;
- Partial Compliance; or
- Full Compliance.

The first two options were rejected as unacceptable. It was determined they had serious consequences such as the potential for damage or loss of life and property.

It was estimated that full compliance would require an additional $3 million in annual expenditures. In addition, "$50 million may be needed to satisfy Ontario Fire Code retrofit requirements in health care facilities for the Ministries of Health and Community and Social Services." However, the resources required have not been made available.

Non-compliance with Human Rights Code

Many Government-owned buildings did not comply with the handicapped accessibility requirements of the Human Rights Code.

To remedy this situation, in June 1989, the Ministry announced a five-year $38-million program to improve handicapped access to Ontario Government buildings.

RESPONSE

The Deputy Minister responded on September 8, 1989.

NECESSITY AND PRIORITY OF REPAIR PROJECTS

"The four 'priorities' cited, can more appropriately be viewed as categories which describe the nature of a proposed project, as a basis for establishing actual priorities for implementation within the context of the five-year repair planning process."

Business Cases Not Detailed

"The requirement for business cases demonstrating the necessity of proposed repair projects is a fairly recent innovation and was introduced when the requirement for the capital repair category was instituted in 1986. In order to familiarize all employees with the business case approach to project analysis, training programs have been developed to ensure proficiency. This training continues to be provided, while improved techniques are under development to enhance both the abilities of employees and the quality of results in project analysis."

Repairs Did Not Proceed in the Assessed Order of Priority

"While it is correct that some projects were introduced following the establishment of the 1988/89 program, it is important to note that all the projects referred to were included in the five-year repair plan. Recognizing the variability of the conditions affecting construction, flexibility must be provided to enable the prudent management of resources devoted to maintaining provincial properties. Effective this year, the need for flexibility has been recognized and made formal. The current five-year repair plan permits managers to move projects from the unfunded five-year program to the funded annual program, with the approval of the Executive Director, Property Management Division.

"The $1.2 million cited in the report was allocated to projects in the Legislative Building, which maintains a high priority in considerations for funding owing to its function as the seat of government. All future repairs for the Legislative Precinct are now the responsibility of the Speaker."

Splitting Large Repairs Avoids Assessment and Approval Process

"The example provided identifies a project which was implemented in several phases, however, this was not done to avoid the approval process. The nature of these repair projects which were phased and sequential over a protracted time frame were judged to be a series of individual projects rather than a single project.

"Managers responsible for repair project implementation have been instructed that the division of large projects into smaller projects with the intent of avoiding the approval process, is prohibited. To enable the sound management of allocated funding and to provide flexibility to cope with emergencies, the phasing of projects may continue to be necessary. However, this will only occur with the approval of the Executive Director, Property Management Division."

Government Services

Management of Government-owned Buildings

ECONOMY OF REPAIR PROJECTS

"The ministry strictly adheres to the established Management Board procurement policy which emphasizes acceptance of the lowest qualified bid. The majority of ministry tenders are advertised, while those that are invited will have satisfied stringent criteria prior to approval for tender. Contract awards are made to the lowest qualified bidder, to safeguard the principle of fair and open competition."

Reasonableness of Accepted Bids Often Not Established

"The ministry has embarked on a program of project management training, and through this process intends to strengthen its management effectiveness. While guarantees cannot be made that all errors or omissions relating to project documentation will be eliminated, the ministry is committed to attaining the highest practical level of sound project management and to ensure that documented evidence is maintained.

"(For the two examples listed:)

- *Action was required to correct an urgent health hazard occasioned by the presence of toxic bat guano and asbestos. The laboratory had been evacuated and there was a degree of urgency to remove the hazard. To our knowledge no one had previously undertaken removal of these two toxic substances in combination.*

  Owing to the highly specialized nature of the work and the inability to accurately measure the quantity of toxic material present, the estimate had great potential for variance from the final contract cost. Worker productivity was also reduced by the specialized and potentially hazardous nature of the work. The extent of productivity loss was difficult if not impossible to predict with any certainty...

  Tender documents were distributed to seven contractors who were deemed to be qualified based on prior experience in the removal of hazardous or contaminated materials. After finalizing the tender and receiving only one bid, the decision was made to award because it was judged unreasonable to disqualify the bid based on an estimate subject to a high degree of uncertainty. The industry would have viewed a decision to disqualify as unfair and unreasonable. The original estimate did not include removal of material from the entire building which was not recognized as a requirement until after the consultant's report was received.

- *The initial estimate of $13 thousand per car to upgrade the elevators was provided by resident technical experts in elevating devices. On tender closing, the results were discussed at length and the decision to award was made, since in the judgement of the experts, market conditions at the time demonstrated that the tender amount was consistent with other similar upgrading projects. The market was, and still is, saturated with new device installations, owing to the high level of new construction. Elevator upgrades contain an element of financial risk on the part of the contractor, due to the uncertainty associated with determining the extent and cost of repairs to existing equipment. New installations are straightforward: the scope of work is precisely determinable, is fixed, and is subject only to minor risk of*

variance. In addition, financial returns are readily predictable on new installations, which provide a considerable return for resources expended. For these reasons, contractors are concentrating their resources on new installations, and if they bid on upgrade projects they are likely to tender higher bids in order to guarantee themselves an adequate return."

"The Ministry has in place a process for determining the suitability or reasonableness of bids. Where bid project costs are over budget by 10 per cent, efforts are made to reconcile the best available price based on a new, more detailed estimate, or comparisons with previous projects.

"As described (earlier), *contract awards are made to the lowest bidder to safeguard the principle of fair and open competition, while ensuring the least cost services at the time of tendering. The construction industry is subject to market variations to a greater degree than other industries. While decisions can be made to defer a project until market conditions improve, this is not always safe, practical or economical, especially when the project involves the repair of a building component, the failure of which could have serious health and safety consequences. The ministry is experienced and knowledgeable in the construction industry, and is confident that its decisions to award contracts provide the highest degree of value for money expended."*

Inadequate Controls over Change Orders

"The Ministry disagrees with the general comments on change orders since its policy requires justification of the need for a change order, an accurate estimate of the cost and the careful determination that costs submitted are reasonable."

"Our original contract did not indicate the extent of asbestos on the project at that time. Regulations concerning asbestos did not come into effect until March 1986 imposing additional liability on the Ministry and subsequently the contractor. A change order was essential to recognize this liability and concurrent cost escalations.

"Consequently, tenders were called and competitive prices were obtained through the mechanical sub-contractor because the asbestos had to be removed before the mechanical contractor could install the boilers and pipes. This dictated the need for a change order. Conversion had to be completed between heating seasons, so time was of the essence.

"Mark-ups paid to the contractor were in accordance with Ministry policy, as contained in the contract documents and general industry practice.

"It is the opinion of the ministry that under the circumstances it was impossible to avoid a change order.

"During implementation of the project cited in the (second) *example, a stop-work order was issued owing to the presence of asbestos. In order to continue, the ministry was required to employ a qualified consultant and contractor to deal with safe handling and removal of asbestos from the ceiling. New legislation governing asbestos handling came into effect during project execution.*

"Another factor contributing to cost overruns, was the insistence of the client on changes during construction since this was a cost recoverable project charged to the client."

Questionable Payments

"The replacement of lenses and cleaning of fixtures which required the removal and replacement of all bulbs, was undertaken to produce significant energy savings.

"The janitorial contract requires replacement of bulbs as they fail, and has no provision for complete replacement. It was impractical to coordinate the lens installation and cleaning with the replacement of failed bulbs, since this procedure could have taken years rather than weeks to complete. It was necessary to replace all bulbs to enable the assessment and adjustment of lighting levels on completion of the conversion in order to achieve the energy savings. The janitorial contractor will replace these bulbs as they burn out as part of his contract.

"(Re the unit price contract) *the ministry is continually striving to improve its project management practices. Since completion of the project cited in this example, measures have been taken to improve control over unit price contracts. New units of production have been added to the most recent tender document to reduce the amount of potential work requiring sub-trades. New policies and guidelines related to unit price contracts have been developed and published. A local audit process has been developed and project management training has been initiated to instill appropriate skills in employees who manage unit price contracts. A standard estimate form has been published, which will facilitate an analysis of unit price versus subcontracted work at the outset of a project, before commitments are made to a contractor. Finally, the ministry is developing a standard form for calculation of the value of work performed prior to progress and final billings, to provide even better control on the calculation of premiums and mark-ups.*

"With regard to the project cited by the auditors, our intention during project planning was that unit price work would comprise approximately 50% of the total; however, requirement changes during the project resulted in an increase of the subcontract portion.

". . . Our position is that the Ministry erred in paying a mark-up on the carpeting, and we have already begun to recover a total of $68,000 in overpayments, which includes this and other mark-ups. . . "

OPERATION AND MAINTENANCE SERVICE AGREEMENTS

Contract Costs Appear Questionable

"Contract tender calls for which the lowest available bid is above pre-tender estimate are evaluated against either a new, more detailed estimate, comparisons with previous tenders or knowledge of marketplace rates as determined through contracts with private sector consultants.

"Although sufficient documentation was unavailable in the files; it is evident that the reasonableness of the cost of this contract is justifiable. The previous contract was for $148,050 per annum and the new contract is for $149,000 per annum which is less than 1% increase."

"To base an evaluation of the entire contract on a short term snapshot where only normal service calls may have been required fails to account for critical situations that could occur over the five year period when significant amounts may have been paid by the contractor to meet his obligations. The $60 rate quoted is for normal service calls and not for highly qualified specialist adjusters which are significantly higher."

Excessive Costs of Negotiated Elevator Service Contracts

"Negotiated contracts have the advantage of providing for reliable and qualified comprehensive maintenance services, and are especially suited to the provision of maintenance of highly specialized equipment, whose failure could endanger health and safety and expose the government to severe damages for liability.

"The tendered maintenance contract cited provides a rare example of the benefit which can accrue to the ministry in a highly competitive market. The successful contractor undercut prices in an aggressive attempt to increase market share, a condition that existed at that point in time and it may not occur in future.

"On the issue of consolidating separate service agreements for buildings in close proximity, the ministry accounts for proximity during its negotiations and insists that the costing structure in any agreement reflects the potential financial benefit deriving from proximity.

"The general practice in the private sector is to use negotiated contracts for maintenance of all specialized equipment. Despite this practice, the ministry has begun a move away from negotiated contracts in an effort to foster increased competition. However, in the presence of highly specialized needs in unique buildings, negotiated contracts may be employed."

COMPLIANCE WITH BUILDING CODES AND REGULATIONS

"The ministry has demonstrated a significant commitment to codes compliance. A Codes Compliance Committee has been established to develop compliance initiatives, and consultants have been engaged to determine the full extent of ministry compliance with codes across the province. Cabinet approval has been received to implement a Barrier Free Access program for the modification of buildings which lack sufficient accessibility. Initiatives to comply with the Occupational Health and Safety Act, the Environmental Protection Act, the Ontario Fire Code, the Workplace Hazardous Materials Information System, Asbestos Regulations, the Gasoline Handling and Window Washing Acts, and regulations governing PCBs, are all underway.

"A staff training and development program covering all aspects of codes compliance, has been established and is being implemented."

Health
Land Ambulance Services

3.9 Deficiencies in Funding and Monitoring of Operations, Land Ambulance Services, Ministry of Health

The Ministry paid $108 million in the 1989 fiscal year to 167 land ambulance services, located throughout the Province. Approximately two-fifths of these services are run by hospitals, two-fifths by private operators, and the balance by volunteer organizations and municipalities.

SUMMARY

SCOPE AND OBJECTIVES

Our audit objectives were to assess whether:

- annual financial settlements with ambulance operators were adequately administered; and
- the operations of ambulance services were being appropriately monitored.

We carried out most of our work at the Ambulance Services Branch and at its six Regional offices.

CONCLUSIONS AND FINDINGS

AMBULANCE OPERATING EXPENSES

The administration of financial settlements required substantial improvement.

- **Most operators submitted settlement reports late. In addition, over 20 per cent of the 1987 and 1988 settlement reports had not yet been reviewed by the Ministry.**
- **In many cases, the Ministry did not have adequate audit verification of settlement information provided by private operators.**
- **There have been financial difficulties with some private operators. The Ministry is experimenting with the use of alternative arrangements for the funding of ambulance services.**

MONITORING OF AMBULANCE SERVICES

- **Overall the annual inspections of ambulance services were satisfactorily performed. However, follow-up activity was lacking.**
- **Ambulance response time information is inadequate for comparison with established standards and commitments.**

BACKGROUND

The purpose of the Ministry's Emergency Health Services Program is to reduce death, disability and suffering due to sudden illness or injury. Land ambulance services are one of the components of this program.

In addition to responding to medical emergencies, ambulances transport patients in situations which are not emergencies, such as transfers between hospitals. In

the 1988 fiscal year, emergency calls represented approximately one-half of the over one million calls received for ambulance services.

Regulations under the Ambulance Act deal with ambulance service licensing, attendant qualifications, vehicle and equipment standards, record-keeping and reports, and the operation of ambulances.

COMMENTARY

AMBULANCE OPERATING EXPENSES

Overview

Under the Ambulance Act, the Ministry reimburses ambulance operators for the actual cost of ambulance operations. Generally, the Ministry provides funds to ambulance operators in advance of their actual spending. Payments are made semi-monthly based on the prior year's advances adjusted for inflation.

After the end of the fiscal year, the Ministry settles its accounts with each of the operators. If advances exceeded actual costs, the difference would be recovered from the operator. On the other hand, if advances did not cover actual spending, the additional funds would be provided by the Ministry. In addition, the settlement process is critical in determining that funds were properly spent, and in recovering disallowed expenditures.

Ambulance operators must maintain proper accounting records, and submit audited financial statements and other settlement information to the Ministry within 60 days of the end of the fiscal year.

Funding arrangements with Metro Toronto differ from the above and were not part of the audit scope.

Deficiencies in Funding

Settlement Submission and Review Not Timely

We found that most settlement reports were submitted after the 60-day due date of May 31. We also found that 20 per cent of the fiscal 1987 settlement reports and 27 per cent of the fiscal 1988 settlement reports had not yet been reviewed.

These delays had the following implications.

- The Ministry did not recover funds promptly for advances made in excess of actual spending or for ineligible expenditures. This over-funding might also have been reflected in the subsequent year because annual funding is not based on actual spending but on the prior year's funding. Furthermore, the problem of recovering funds becomes even more difficult with time.

- Some operators experienced financial hardship and services were jeopardized when advances were insufficient to cover actual spending. For example, the Ministry owed a private ambulance service money for each of the last three years, totalling $48,000. As a result, the service experienced severe cash flow difficulties.

Health
Land Ambulance Services

Inadequate Audit Verification of Settlement Information

The Ambulance Act requires financial statements of private operators to be audited and separate from any other business activity of the operator. These audits of separate statements are essential in that they provide independent verification that the operating expenses claimed are accurate and complete, and that expenses unrelated to the ambulance service have not been included.

However, this key control was not being enforced by the Ministry. In particular, **we were concerned that, for over one-half of the private operators, the financial statements for the 1988 fiscal year reflected information from other business activities in addition to those of the ambulance service.**

The deficiencies in the submission, review and audit verification of settlement reports are particularly important since, for several years, the Ministry has experienced difficulties with some private operators relating to funds provided by the Ministry.

Difficulties with Some Private Operators

The extent of the difficulties experienced with some of the operators was evident from our review of internal audit reports, financial information submitted by operators, inspection reports, and the activities of the Legal Services Branch. **Difficulties included claiming ineligible expenditures and lending money from ambulance operations to related entities.**

Ministry inspections designed to ensure compliance with the Ambulance Act and Regulations have identified other situations where there was little supporting documentation to justify expenses claimed. Examples included incomplete payroll time cards, unsupported overtime, and unexplained payroll expenses.

We felt that a major reason for many of these financial difficulties was the system of funding in advance. As of June 1988, Ministry information indicated that private operators had over $5 million in excess cash. Since private operators receive substantial funds in advance of their services' actual needs, there is the opportunity for misuse.

To address the difficulties experienced with the private operators, the Ministry has been experimenting with the use of service contracts/ invoicing arrangements to replace the existing method of funding ambulance services. Since April 1988, this has involved three services with expenditure totalling approximately $1 million annually.

Payments made to these operators are for actual spending rather than being based on the prior year's advances. This arrangement requires operators to obtain a line of credit with a bank to finance the operations of their ambulance services.

MONITORING OF AMBULANCE SERVICES

Overview

The monitoring of land ambulance operations is carried out through the activities of the Ministry's 12 dispatch centres and Regional Offices.

Dispatch centres receive calls for ambulance services and, therefore, are aware of response times, vehicle availability and usage, delays in responding to calls, geographic distribution of calls, and complaints from the public. The centres inform the Regions of any areas of concern.

Regions also receive information such as ambulance call volumes and response times, and reports on inspections.

Annual Inspections and Follow-up Activity

The Minister has the authority under the Ambulance Act to appoint inspectors for the purpose of ensuring compliance with the Act and its Regulations. For example, the inspectors ensure that attendants meet minimum training requirements and that vehicles and equipment conform to required specifications.

Inspections of ambulance services are to be performed on an annual basis and inspections of dispatch centres are to be completed three times a year.

Instances of non-compliance and other problems noted, are to be brought to the attention of the Regions and the Head Office. Regions are then responsible for following up, and ensuring timely, corrective action is taken. Where serious deficiencies are reported in the initial inspection, a follow-up inspection is to be carried out within 90 days.

Overall, the required routine inspections were being performed satisfactorily. We were concerned, however, that many reports resulting from these inspections were not issued on a timely basis. In addition, most follow-up inspections were not being done. We found that:

- 24 of 63 inspection reports reviewed were not finalized and distributed until more than 30 days after the inspection.

- 10 of 14 follow-up inspections were not performed.

Need for Ambulance Response Time Information

The Ontario Ambulance Services Information System compiles information on all ambulance calls in Ontario. This includes information such as vehicle utilization, the volume of calls and response times.

Response time consists of three components: the time from when a call is received by a dispatcher until the crew is notified (dispatch-reaction time); the time from when the crew is notified to the time the crew departs the station (crew-reaction time); and the time from when the crew departs the station to the time it arrives at the scene (traveling time).

The Ministry has set standards for the dispatch-reaction time component of response time and receives commitments for crew-reaction time from each operator. However, the Information System does not isolate the components of actual response time. Hence, **comparison to the dispatch-reaction time standard and crew-reaction time commitments cannot be done.**

Health
Land Ambulance Services

RESPONSE

The Deputy Minister provided the following response to our findings.

AMBULANCE OPERATING EXPENSES

Deficiencies in Funding

Settlement Submission and Review Not Timely

"We agree that timely settlement submissions, within the current 60 day limit, are often difficult for some of the services, many of which are located in remote areas of Northern Ontario. Audit firms are often not located in these communities and the services must wait for their auditors to travel to their communities during the summer months. In addition, the 66 hospital services are often late because their ambulance records are not audited until the hospitals' own records are reviewed.

"The Ministry is in the process of amending the Regulations of the Ambulance Act to revise the submission date from 60 days to 90 days after the year end. This is being done on the advice of the Canadian Institute of Chartered Accountants and on our review of other provincial and federal legislation which allows up to six months for submission of financial statements from corporations."

"The Ministry would point out that as the settlements are received, they are subject to an interim review. During this review, cash balances owing to the Ministry are identified and recovered immediately."

Inadequate Audit Verification of Settlement Information

"Although some of the private operators have included information from other activities in their audited financial statements, the Ministry has been able to assess the statements and take appropriate action. Currently, the Ministry has difficulty with only two of the operators, one of whom submitted combined financial statements. The Ministry has recognized this problem and has requested the operators to comply with its guidelines on separate financial statements."

Difficulties with Some Private Operators

"The current system of funding in advance is normal operating procedure for transfer payment programs in the Ministry. Interest earned on cash advances by the operators accrues to the Ministry.

"The current cashflow advances to operators are based on an analysis of their probable expenses for the year. The funds are paid in advance in 24 equal payments. The actual costs of operators vary from month to month since some expenses are cyclical. For example, vacation pay is usually paid in the summer while payments for unused sick days are made at year end.

"In recognition of the foregoing, the Ministry is of the opinion that the current funding system is appropriate. Reductions in the level of current advances could jeopardize existing operations.

"The Ministry funds some new operators through an invoicing system on an experimental basis. This is being done in consultation with the Ontario Ambulance Operators Association, (OAOA)."

MONITORING OF AMBULANCE SERVICES

Need for Ambulance Response Time Information

"The Ontario Emergency Health Service is the largest standardized system in North America. It is regulated under the Ambulance Act. The service utilizes standard vehicles, requires a high level of qualifications for full-time ambulance attendants, operates an integrated air and land ambulance capability, receives calls from the public and dispatches ambulances through a series of central ambulance communication centres.

"The Ministry has in place standards for two of the three components of response time and monitors and pays careful attention to the third.

"A standard of one minute has been adopted as the time for a dispatcher to receive a call from the public and assign it to an ambulance crew.

"A two minute standard relates to reaction time which is the time from the point at which the ambulance dispatcher notifies the ambulance crew of the call until the crew is mobile in the ambulance and enroute to the scene.

"The third component of response time is the time required to travel from the ambulance station to the patient's location. There are a number of factors which affect this component including traffic density on the roads that ambulances must use, weather conditions at the time of the response, and the call demand on the ambulance fleet at any given moment. These variables preclude the establishment of set standards for the third component.

"The Ministry does monitor all components and is currently endeavoring to improve its information reporting system in this regard . . ."

3.10 Classification System Poorly Maintained, Human Resources Secretariat

The Human Resources Secretariat was established in March 1986. The Secretariat is the corporate advocate for promoting the best practices in human resources management and, as such, provides advice and support to ministries.

The 1989 fiscal year expenditures for the Secretariat's Human Resources program were $21.3 million (Vote 2404).

SUMMARY

SCOPE AND OBJECTIVES

Our audit focused on the initiatives taken by the Secretariat to provide direction through planning, development and monitoring of Government-wide policies. Our audit objectives included assessments of whether:

- the position classification system used for Management and Bargaining Unit employees was properly maintained;
- controls over grievances with service-wide significance were sufficient; and
- ministry action plans and results related to the Strategies for Renewal initiative were adequately evaluated.

Human Resources Secretariat
Position Classification System

CONCLUSIONS AND FINDINGS

ADMINISTRATION OF POSITION CLASSIFICATION

The Secretariat has not performed sufficient maintenance on the classification system. In particular:

- **More than 60 per cent of the existing classification standards for the Bargaining Unit were 20 or more years old.**
- **Grievance Settlement Board decisions contained many references to outdated standards and the classification problems created as a result.**
- **The use of atypical classifications within the Bargaining Unit also provided evidence of an outdated classification system. Over 20 per cent of the employees in one category of the Bargaining Unit were atypically classified.**

The Secretariat was not performing any formal co-ordinating and/or monitoring of classification duties delegated to the ministries.

GRIEVANCE PROCEDURES

The system lacked overall control of grievances with service-wide significance. There was little opportunity to co-ordinate and assess grievances prior to their presentation to the Board.

STRATEGIES FOR RENEWAL

The Secretariat was adequately monitoring the ministries' performance against program objectives. However, the success of the program depends on the ability of ministries to manage conflicting priorities.

BACKGROUND

In 1986 the Moher report, "Managing Human Resources in the Ontario Public Service," was issued. This report concluded that a new framework for human resources management was required to meet the needs of the public service.

In response, the Human Resources Secretariat was established in March 1986. A Deputy Minister, responsible to the Chairman of Management Board of Cabinet, was appointed. Authority for policy development and administration of human resources management was assigned to the Secretariat.

The Secretariat, as corporate advocate, has the responsibility for promoting the adoption and ensuring the maintenance of systems that support the best practices in human resource management.

Most of the responsibilities dealing with the actual administration of human resource policies were delegated to the ministries, with the Secretariat responsible for monitoring adherence to corporate policies on a Government-wide basis. The monitoring function was to be performed in conjunction with monitoring by the internal audit departments of the various ministries.

Comments on Ministry and Crown Agency Audits

COMMENTARY

ADMINISTRATION OF POSITION CLASSIFICATION

Overview

The Secretariat's Pay and Classification Branch responsibilities include developing, maintaining, and monitoring classification and job evaluation systems and pay policy.

The Ontario Public Service includes approximately 70,700 "classified" staff. Classified staff are split into three groupings for compensation purposes: the Executive Compensation Plan (700), the Management Compensation Plan (15,000), and the Bargaining Unit (55,000). The Management Compensation Plan and Bargaining Unit are further divided into modules or categories, occupational groups, and class series. The Ontario Public Service also includes approximately 15,000 "unclassified" staff, who are appointed for a defined term (contract), on a part-time or full-time basis.

The basic evaluation components of classification systems are position specifications detailing the work required by particular positions (job descriptions), and classification standards against which these job descriptions are compared. Based on this comparison, the positions are assigned to a level within a classification. Each classification level has a pay grade.

Some staff are covered by a classification system that is based on an analysis of skills. However, the predominant system is a grade description plan. This plan revolves around specific tasks rather than the generic skills required for the position. Therefore, it requires extensive maintenance.

Insufficient Maintenance of Classification Standards

Our audit focused on whether the classification standards were being maintained. The classification system should be kept current through regular maintenance in order to ensure that classification of positions across the Ontario Public Service is consistent.

Our review of the classification standards revealed insufficient maintenance. In excess of 60 per cent of the existing classification standards for the Bargaining Unit were 20 or more years old. As classification standards become obsolete, these standards no longer effectively describe current positions.

To illustrate the dated nature of many of the classification standards, one such standard, revised September 1961, lists among the required qualifications a "pass standard (60 per cent) in the Departmental preliminary and course examinations." Our discussions with ministry officials indicated that these examinations were discontinued in 1967.

The Crown Employees Collective Bargaining Act establishes the statutory framework through which the Bargaining Unit employees may grieve their classifications when inequities exist. These grievances are heard before the Ontario Crown Employees Grievance Settlement Board. **Our review of Board decisions indicated many references to the outdated standards and resulting classification problems**. Examples of these decisions included:

- Highway Equipment Operator 3s (November 1986 Board decision). The Board, in awarding in favour of two of the four grievers, stated that the classification standards "are so outdated as to be almost useless." Approximately 112 employees were classified within this standard. The standard has still not been updated.

- Probation Officers (October 1986 Board decision). The Board in awarding in favour of several grievers stated: "Various panels of the board have often been critical of the fact that unrevised classification standards have not kept up with the realities of particular jobs. We share that view." Furthermore, "the Board need no longer wrestle with the difficulty of comparing the incomparable. It can effectively order a revision of obsolete standards." Approximately 95 employees were classified within this standard. The classification standard was recently revised.

The use of atypical classifications within the Bargaining Unit also indicated that the classification standards require revision. Atypical classifications result when an individual in an existing or new position is performing work which does not clearly meet the criteria for any of the existing classification standards.

In technical positions heavily influenced by technological change, extensive use of atypical classifications would be expected if grade description standards are not updated. Indeed, **a report prepared in early 1988, noted that over 20 per cent of the employees in one of the technical categories were atypically classified. In this category, approximately 70 per cent of the classification standards were prepared/revised prior to 1970.**

Old grade description standards may also be difficult to administer. For example within a series of classification standards a position was defined as a "skilled craftsman" and the next senior position defined as a "highly skilled craftsman." These standards are extraordinarily subjective, and hence, are difficult to administer precisely.

Because of the lack of maintenance of classification standards, significant time and resources would be required to bring the system up to date or to implement alternative job evaluation systems.

Lack of Central Co-ordination/Monitoring

The Public Service Act allows for the delegation of duties regarding position classification. The classification of positions in both the Management Compensation Plan and the Bargaining Unit have been delegated to the ministries.

This delegation of duties does not absolve the central agency (Human Resources Secretariat) from ensuring that position classification is properly administered across the Ontario Public Service. **Our audit revealed that the central agency was not performing any formal co-ordinating or monitoring procedure.** Therefore, it was unclear how the central agency was accountable for the administration of the classification system delegated to the ministries.

The Pay and Classification Branch monitored the administration of position classification in the ministries until 1987. The monitoring included information on the accuracy of position classification decisions and the extent of exposure to "classification creep" across the Public Service. Classification creep is the reclassification upward of positions to justify a higher pay grade when the underlying work remains unchanged. In its last available monitoring report, prepared in 1987, the Branch estimated that a pay grade creep of 0.5 of a pay grade could increase existing annual payroll expenditures by $74 million. This warrants monitoring.

Central agencies have a role to play in dealing with service-wide issues like position classification. An implicit goal of the classification system is the fair and consistent treatment of employees across the Public Service. Without central agency co-ordination, the ministries, as autonomous entities, could act independently. Inconsistent treatment of employees is a likely result.

GRIEVANCE PROCEDURES

Overview

The Staff Relations Branch has responsibility for collective bargaining, and for providing leadership in policy development and assistance to ministries in the conduct of labour relations. In addition, the Branch and the staff relations sections in ministries have collective responsibility for the grievance and arbitration process.

Public servants in Ontario are prohibited by statute from participating in strikes or lockouts. However, a public servant may file a grievance related to dismissal, working conditions, or terms of employment. The grievance procedures are set out in the Public Service Act, Crown Employees Collective Bargaining Act and various collective agreements.

Grievance procedures are designed to resolve disputes early in the process through informal contact between the grievor and the grievor's immediate supervisor. If the matter cannot be resolved at this stage, a grievance is presented in writing to the supervisor. If still unresolved, the grievance proceeds to the deputy minister or designee for a decision. Until the completion of this stage, a grievance is handled internally within the ministry.

If still unsatisfied, the grievor may apply to one of the independent Grievance Settlement Boards for a formal hearing. Their decisions are final and are binding on both parties.

The major Government parties responsible for processing of employee grievances are the line management and human resources branches of the ministries involved. The Branch role is restricted to an advisory and consultative capacity. Ministries that have the expertise to prepare and present submissions to a Board may consult with the Branch at their own discretion. Ministries with infrequent grievances may seek more extensive assistance including having the Branch present the submission on their behalf.

Lack of Centralized Control of Grievances with Service-wide Implications

Our audit focused on the grievance aspect, concentrating on those grievances arising out of collective agreements with the unions.

The system lacked overall control of grievances with service-wide significance. There was little opportunity to co-ordinate and assess grievances prior to their presentation to the Board.

The Branch officials contact the staff relations officers of each ministry monthly. They have the officers describe cases with service-wide implications that are scheduled to go before one of the Boards. This contact is normally informal and the specifics of the cases are not provided to the Branch. The Branch, therefore, relies on the judgement of ministry officials in determining whether there are service-wide implications related to the cases.

However, ministries may improperly communicate or underestimate the importance of a case and its service-wide implications. In such instances, the Branch would not find out until after the case had been presented by the ministry and a final decision had been rendered. At this point it is too late to change the Government's position.

During 1988, the Branch reviewed the summaries of 68 cases which were decided in favour of the employee over the past year. The results indicated that six of these cases dealt with new issues that had service-wide implications. They were handled by inexperienced presenters. In most of these cases, the Branch was unaware of the case details and service-wide implications.

A ministry's loss of an individual case can have repercussions not only in dollars but in the way personnel policy is administered throughout the service as a whole. In these circumstances, the individuals involved with the case presentation should have detailed knowledge of service-wide issues including their effect on the collective bargaining process. Without this knowledge, the Government's position may appear to be inconsistent across the public service.

In one case, several classification grievances covering two classification levels were filed by individuals at one ministry. The ministry decided to present one grievance before the Board. Based on the decision, the ministry would adjust both classification levels.

In the case:

- No witnesses were called.
- The ministry based its defence on an argument which had been dismissed by the Board in the past.
- There was only one grievance designated. Normally, when there are several classification grievances by employees with similar duties, a ministry designates a few as test cases.

- The Board concluded that the employee was improperly classified, awarded a large retroactive settlement and obligated the parties to rectify the situation.

- The ministry rewrote the class standards. The ministry ignored the Branch's warning of flaws in the wording that could cause problems if the union applied for higher salary ranges.

- An application, now under review, may result in considerably higher salaries. This is due in part to the wording of the revised class standards.

This case illustrated the need for experience in, and knowledge of, cases with service-wide implications.

Subsequent to our review, the Secretariat set up an intra-ministry task force to study the grievance process and recommend changes, where necessary.

STRATEGIES FOR RENEWAL

Overview

The Human Resources Secretariat introduced a major planning initiative, entitled "Strategies for Renewal," in December 1986. The program was established as the result of concerns by the Secretariat that "without conscious, planned intervention, the Ontario Public Service would enter the 1990s with a workforce out of step with society."

The program was designed to rejuvenate the Public Service, ensure its composition better reflected Ontario's diversity, and provide more open access to Service jobs.

Detailed objectives and specific goals were developed and communicated to all ministries. Ministries were instructed to incorporate these Government-wide initiatives into their future human resource action plans.

Procedures Adequate for the Review of Ministry Plans and Results

The Strategies for Renewal process requires each ministry to complete and submit annually, actions planned to achieve the objectives of the program. A results report, also produced annually, allows the ministry and Secretariat to monitor progress towards the achievement of planned initiatives.

Our review included the 1988 fiscal year action plans and results, as well as any 1989 and 1990 fiscal year plans available at the time of audit.

The Secretariat was adequately monitoring the ministries' performance against program objectives. There was significant improvement in the quality of information provided to the Secretariat in the second year of the initiative.

Human Resources Secretariat
Position Classification System

Initiatives and Hindrances in Achieving Program Objectives

In their responses to the Secretariat, **some ministries indicated difficulties in achieving the desired results in the short term. Salary and wage constraints, loss of salary dollars from the Voluntary Exit Option program, restrictions on hiring, and conflicting initiatives and priorities of government were among the hindrances cited in achieving objectives.**

The ultimate success of the Strategies for Renewal program depends on the co-operation of all ministries and the ability of the Secretariat to clearly demonstrate the need for Government-wide workforce initiatives.

RESPONSE

The Human Resources Secretariat responded on September 11, 1989.

ADMINISTRATION OF POSITION CLASSIFICATION

"The Secretariat concurs with your findings with respect to the need to review the existing classification systems. The urgency which is signalled in your report is shared by HRS and, we believe, by the Human Resource community at large.

"Indeed, HRS and Personnel Council have launched a joint project aimed at a complete review of the current systems. The magnitude of the task, however, cannot be overstated. Not only must this project have ministry support, but, where the bargaining unit is involved, union involvement and commitment are essential. Indeed the current arrangements require that any changes to the classification systems be negotiated.

"Much could be said about why the current systems are out of date. The current degree of obsolescence has resulted in the full time involvement of many human resource personnel, both within HRS and in ministries in patching the system. The project we are contemplating will involve those individuals to focus on a complete overhaul of the systems.

"Your recommendation that the Secretariat return to its previous role of providing central co-ordination or monitoring of delegated classification is one that we shall examine carefully. At issue is the role that a central agency should perform in an activity that has been substantially delegated to the field. The issue is a balancing one - the autonomy of ministries versus the need for a mechanism to ensure consistency of application. This will also be addressed by the classification project described above."

GRIEVANCE PROCEDURES

"As noted, an interministerial task force has been established and is already at work with a view to rationalizing the grievance process. The recommendations in this regard will be incorporated as part of the task force study and recommendations."

STRATEGIES FOR RENEWAL

"We are pleased with the positive findings on this program."

Comments on Ministry and Crown Agency Audits

3.11
Better Controls and Enforcement Required, Fisheries and Wildlife Management Activities, Ministry of Natural Resources

The Ministry of Natural Resources spent $68.4 million in the 1989 fiscal year to protect and rehabilitate Ontario's fish and wildlife population and their habitats (Vote 2703, Items 2, 3).

SUMMARY

SCOPE AND OBJECTIVES

Our review of the Fisheries and Wildlife Management Activities of the Outdoor Recreation Program was conducted at the Head Office in Toronto, one of the Ministry's eight regional offices, and four of its 47 district offices. The district offices selected were Napanee, Owen Sound, Parry Sound and Lindsay.

Our audit objectives were to assess whether:

- the issuing of hunting and fishing licences was properly controlled;
- fish and wildlife enforcement and other key activities were efficiently administered by staff.

CONCLUSIONS AND FINDINGS

REVENUE

Controls over the issuing of licences were unsatisfactory.

- **Inadequate control of licences distributed to issuing agents in 1987 contributed to an estimated loss in revenue of up to $1 million.**

ENFORCEMENT ACTIVITIES

Better planning and monitoring of the enforcement effort were necessary to ensure Conservation Officers were utilized in an efficient manner.

- **Enforcement plans and activity reports were not in place in many instances.**
- **Significant variations were noted in enforcement among regions. For instance, one region was seven times more likely to lay a formal charge than issue a warning, while an adjacent region was four times more likely to issue a warning than lay a charge.**
- **Work schedules do not adequately recognize periods of high activity. Weekends and holidays are generally lightly staffed.**
- **Enforcement efforts in the Great Lakes were insufficient to discourage both illegal fishing and the possible sale of contaminated fish. One Ministry investigation revealed at least 610,000 pounds of fish that had been illegally caught.**

Natural Resources
Fisheries and Wildlife Management Activities

NON-ENFORCEMENT ACTIVITIES

Non-enforcement staff were successfully conducting activities designed to protect and rehabilitate fish and wildlife populations and their habitats.

- **The information enhanced the Ministry's ability to undertake a more cost-effective program.**
- **Preliminary assessment of water suitability, fishing demand and stocking methodology were carried out consistently. However, insufficient post-assessment work was being done to measure the success of stocking efforts.**

BACKGROUND

The Fisheries Management Activity protects, rehabilitates and enhances Ontario's fish population and its habitat in order to provide opportunities for recreational and commercial fishing. Major functions of this Activity include:

- licensing of anglers and commercial fishermen;
- rehabilitating fish populations through stocking activities; and
- regulating the fish harvest through the establishment and enforcement of seasons, quotas, etc.

The Wildlife Management Activity develops and enforces policies and programs related to the major game and non-game species and co-ordinates the management of their habitat. Major functions include:

- issuing licences to trappers, fur dealers and hunters; and
- updating and enforcing hunting regulations.

COMMENTARY

REVENUE

Overview

Hunting and fishing licences are required as part of the Ministry of Natural Resources' "user pays" philosophy for covering program costs. There are currently 53 types of licences. Total 1988 fiscal year licence revenues were $30.3 million, less than half of total expenditures for the Fisheries and Wildlife Activities.

Licencing agents include fishing tackle and hunting equipment stores, hardware stores, as well as the Ministry's district offices. With the introduction of the Resident Sport Fishing Licence and the Ministry's commitment to easy accessibility to these licences, the number of outside issuers more than doubled, from 1,900 at the end of 1986 to 3,900 as of November 1988. Every year the Ministry sends each agent a block of blank licences to sell. The agent only remits funds for licences which are sold. A commission is earned on the sale of each licence.

Inadequacies in Licence Issuing Process

Inaccuracies in Licence Issuing

Our review of the Resident Sport Fishing Licence showed that, in 1987, these licences were not pre-numbered. The licences sent to each agent were weighed in order to estimate the number sent. As a result, some issuers received more licences than recorded and some received less. For example, one issuer's account showed that 10 licences had been issued. However, 50 licences were sold and reported by the same issuer, resulting in a negative inventory of 40 licences on the agent's account. Of greater concern was the possibility that issuers receiving extra licences could sell them and keep the proceeds.

Using the estimate provided by a joint federal-provincial survey on the number of sport fishermen in the province, **we estimated that up to a million dollars in Resident Sport Fishing Licence revenues may have been lost in 1987 because the Ministry did not pre-number or count the licences distributed to each agent. Commencing in 1988, licences were pre-numbered but the numbers were not used to control their disposition.**

Inaccurate Declarations of Missing Licences

If issuers do not receive the number of hunting and fishing licences and stickers the Ministry has recorded and invoiced them for, they can sign a Statutory Declaration of missing licences. The Ministry may adjust their inventories accordingly.

In the 1988 fiscal year, over 10,500 angling licences worth about $127,000 were reported missing. This represented a 46 per cent increase in the value of licences reported lost over the previous year. The Ministry indicated that the significant increase in licences missing may have been, in part, due to the large increase in outside issuers.

We were concerned that agents had sold the licences and, rather than remitting the proceeds, filled out the Declaration reporting the licences as missing. For example, we observed in one district that an issuer had made a Statutory Declaration for 20 lost hunting licences. This declaration was approved by the district manager. However, a subsequent spot check by Head Office staff indicated that these licences had been sold.

ENFORCEMENT ACTIVITIES

Overview

A Conservation Officer, appointed under the Game and Fish Act, is responsible for laying charges for all violations under various related Provincial Acts and is also required to enforce related Federal Acts. Under these Acts, regulations are in place to control hunting, fishing and commercial activities by restricting the number of fish and wildlife that can be harvested and the seasons in which harvesting is allowed. In the 1988 fiscal year, over one million square kilometers were patrolled by the enforcement group. Over 7,500 charges were laid under the Acts, primarily under the Game and Fish Act.

Natural Resources
Fisheries and Wildlife Management Activities

As of June 1988, the Fish and Wildlife Branch had an enforcement staff of 240 Conservation Officers and a number of deputy Conservation Officers. Each of the 47 districts has a Co-ordinator to supervise and monitor the work of Conservation Officers.

Better Planning and Monitoring Needed

Enforcement Plans

Enforcement plans document the enforcement activities that must be carried out to meet Ministry objectives and district needs. For instance, a typical plan documents the locations most in need of patrol, a schedule for each Officer by area, and the enforcement efforts expected from the Officers.

We noted:

- **There were no annual enforcement plans in place in three of the four districts we visited. In one district, an annual plan was being developed. However, it was only worked on when time permitted.**

- **An internal study prepared by the Ministry identified that only 28 districts had long-term enforcement plans. Furthermore, the study pointed out that some of the plans did not tie into corporate objectives and targets and no rationale for priorities was established.**

Activity Reports

The Ministry's enforcement policy and procedures require that all Conservation Officers fill in an "Enforcement Officer Daily Report" so Officer activity can be monitored regularly. In the 1989 fiscal year, of the four districts visited, we noted that:

- Only two districts had all the required Daily Reports completed and available for our review.

- In one district, three of nine Officers had not completed any Daily Reports.

The information in the Daily Reports is summarized in a quarterly District Activity Report. Our review of District Activity Reports revealed that:

- One district had developed its own customized computer programs to produce Activity Reports and was producing monthly reports.

- In another district, no Activity Report was available from April 1987 to November 1988.

- One district has never produced an Activity Report. The district Co-ordinator did not know that such a report should be available.

Many district Enforcement Co-ordinators do not have the timely and complete information they need to analyze Officer activities in their district and to identify enforcement trends from year to year.

Inconsistent Enforcement across the Province

Given the weaknesses in planning and monitoring, we were concerned that enforcement activities of Conservation Officers could vary significantly from district to district. **Our analysis of enforcement efforts and results revealed wide variations among regions for the 1988 fiscal year.** For instance, in the Algonquin Region, Conservation Officers recorded almost twice as many enforcement hours per Officer as Officers in the Eastern Region.

We also felt there should be some consistency across the Province in the handling of similar situations. We analyzed warnings and charges laid and noted wide variations from region to region:

For Every 100 Days of Enforcement

Region	Fish and Wildlife Warnings	Charges	Charges as % of Total
Northern	6	15	71
N-Central	2	14	88
Algonquin	33	16	33
N-Eastern	45	18	29
N-Western	32	21	40
Central	106	29	21
Eastern	66	34	34
S-Western	41	23	36

While some differences among regions were expected, we questioned whether similar situations were indeed similarly handled when the North-Central Region was seven times more likely to lay a charge than issue a warning, while the adjacent Central Region was almost four times more likely to issue a warning than lay a charge.

In addition:

- The Northern Region had a significant drop (35 per cent) in fish and wildlife charges despite a 13 per cent increase in the number of Conservation Officers.

- The Southwestern Region had a 48 per cent increase in charges laid although they only had a 2 per cent increase in the number of Conservation Officers.

Improved Work Scheduling of Enforcement Staff Required

Our review of Officer work schedules revealed that proper priorities were established for the enforcement of the openings of fishing and hunting seasons, even if it meant obtaining additional staff support from the Ontario Provincial Police and local municipal police forces.

However, with respect to the other scheduling of Conservation Officers' workloads, **we noted that two-thirds of the average Officer's time is worked between the hours of 6 a.m. and 5 p.m on weekdays. Weekends and some holiday periods are not heavily staffed as a general rule.** For instance, in one district, all of the Conservation Officers were off on a statutory holiday which fell during the peak of the deer hunting season.

Our discussions with Conservation Officers indicated that they felt more illegal hunting and fishing is done on weekends and at night than during the weekdays. The majority of Conservation Officers surveyed also believe more flexible scheduling of work times would make their enforcement efforts more effective.

The assignment of Conservation Officers should be directed to those times when the exposure for illegal activity is highest. As one guide association president said in a letter to the Ministry "Seeing a Conservation Officer in mid-afternoon, checking a couple of guide boats is not a real strong deterrent to out-of-season bass fishermen and poachers. A reassessment of after hours should be considered if the Ministry expects the concerned public to report violations."

Illegal Fishing in the Great Lakes

At a 1988 meeting of the Canadian - U.S. Great Lakes Enforcement Sub-Committee, it was agreed that illegal harvest must be controlled if Great Lakes agencies were going to be successful in meeting the goals of fisheries rehabilitation. Our review of district fishery plans confirmed that illegal fishing in the Great Lakes was a common problem that enforcement staff needed to address. Illegal fishing is primarily attributable to commercial fishermen under-reporting their catch and unlicensed individuals illegally harvesting fish for commercial sale.

Commercial Fishermen Under-reporting

Since the 1940s, commercial fishermen have been required to report their catches to the Ministry on a monthly basis. This reporting requirement allows the Ministry to predict fish populations and set quotas for all fishermen. To ensure catches were accurately reported, the monthly reported catches were to be compared to purchase information from processing plants. However, the collection and analysis of the sales and catch information requires considerable time, effort and patience on behalf of Ministry Conservation Officers. As a result, **while the level of commercial fish enforcement has improved overall, some districts are still making only minimal efforts to carry out the complicated enforcement system.**

On the other hand, certain Ministry efforts in this area have produced some significant results. For instance, **in one series of investigations on Lake Huron between 1984 and 1987, a comparison of sales to reported catches revealed 33 instances of apparent false reporting, representing a minimum of 610,000 pounds of fish under-reported.**

During 1987, sales information was examined for nine fisheries. It was learned that eight of these businesses were alleged to have falsely reported some part of their catch to the Ministry for the 1987 fishing season. During another investigation in 1987, an examination of one business showed that a total of 280,000 pounds of fish caught was not reported. The business was subsequently convicted on 45 counts and fined $45,000.

Tainted Fish Reach Ontario Markets

Under the Fish Inspection Act, Conservation Officers have the responsibility of ensuring that no person can sell, or offer for sale, fish intended for human consumption that is tainted, decomposed or unwholesome.

The Ministry has noted instances of illegally caught Lake Ontario walleye which, in a few cases, were destined for markets and restaurants in Toronto and Belleville. In one district bordering Lake Ontario, illegal fishing of walleye was estimated as having exceeded 350,000 pounds in 1985. The Guide to Eating Ontario Sportfish warns that walleye from certain areas of Lake Ontario exceeding 26 inches should not be consumed.

In the 1970s, the Ministry announced its intention to assign 25 Conservation Officers to ensure enforcement of this particular section of the Fish Inspection Act. The Ministry informed us that only about a third were hired. Only two Conservation Officers conduct inspections of Lake Ontario fishermen. The two Officers mainly check for substitutions, such as Ontario salmon being sold as B.C. salmon, but may also have fish tested for contaminants if they suspect their presence.

We recommended that the level of enforcement be reviewed to ensure sufficient monitoring deterrents are in place to discourage the sale of contaminated fish.

NON-ENFORCEMENT ACTIVITIES

Overview

Various activities are carried out by the Ministry's biologists, resource technicians and support staff in order to manage fish and wildlife in the province. Approximately 200 biologists, assisted by technicians and support staff in the regional and district offices, are responsible for delivering various fish and wildlife activities. These include the assessment of fish and wildlife to ensure that an appropriate supply exists, and fish-stocking methods to increase existing fish populations.

Useful Habitat and Population Data Being Compiled

Fish Assessment Units Providing Useful Information

In 1978, in order to develop the new broader knowledge base essential for effective fish management in Ontario, a Federal-Provincial Task Force recommended the creation of 28 Fish Assessment Units. Since then, 16 of the 28 proposed Units have been established.

We reviewed published Fish Assessment Unit reports and found that the data reported by the units was considered to be valuable and useful in initiating management actions. For example, in one district the Fish Assessment Unit reported that, on four of five representative "type" lakes assessed, annual lake trout harvesting exceeded the recommended quantity by 250 to 550 per cent. Thereafter, the number of lake trout that could be caught by anglers, and the period of time that they could fish for lake trout, was reduced by the Ministry.

However, we did observe, in one instance, that the Ministry had implemented quotas that exceeded the limits recommended by its Assessment Unit. In 1984, when quotas were first introduced, the Lake Ontario Assessment Unit recommended that the yellow perch quota be set at approximately 310,000 kilograms. The quota actually assigned was approximately 480,000 kilograms, or 35 per cent higher, than recommended. As a result, sales of perch by commercial fishermen dropped by about 64 per cent over the four-year period from 1984 to 1987. Late in 1988, the Lake Ontario Assessment Unit advised the district office that over-exploitation of yellow perch had reached a critical point. As a result, strong measures had to be taken to preserve the yellow perch.

Wildlife Assessments - A Continuous Process

Big game populations, such as moose and deer, are given the most attention by Wildlife management. Populations are assessed by:

- aerial surveys of moose which are estimated by the Ministry to be 95 per cent accurate;
- an annual province-wide mail survey on hunter activity; and
- the hide and jaw program, whereby hunters deliver hides and jaws to the Ministry for analysis of the age and health of the animal.

The deer population was estimated to be around 300,000, up from 100,000 ten years ago. The moose population was estimated at 120,000, up from 70,000 ten years ago.

The Ministry had limited information as to where and how many bears were being harvested, to assist in the management of the bear population. Given the increasing popularity of bear hunting in Ontario and the incentive to harvest bears illegally for profit, the Ministry has ear-marked $400,000 for bear management analysis in 1989.

The Ministry recognizes that it cannot monitor all small game and non-game species because of funding and manpower restrictions. Therefore, in most cases, the Ministry relies on academics and special interest groups to identify problems.

Fish Stocking Methods Generally Adequate

In the short term, fish stocking ensures the rehabilitation of self-sustaining fish populations. It also creates fishing opportunities where natural opportunities are non-existent or lacking.

Comments on Ministry and Crown Agency Audits

About 1,000 of Ontario's 250,000 lakes are stocked annually. Provincial fish stocking has increased from average stockings of 2.4 million fish and eggs in 1983 to 12.1 million in 1987. Over 5 million, or 40 per cent of, stockings are made into four Great Lakes.

The Ministry has set out stocking guidelines in its policy statement entitled "General Policy for Stocking Fish in Ontario." We tested the four districts selected for review to ensure conformity with Ministry guidelines. We noted that:

- **stockings were made in accordance with Ministry guidelines** with due consideration for proper need, proper method of transport and stocking methodology; and
- **water suitability had been determined for the stockings tested.**

However, not enough post-stocking evaluative work was being done to assess the success of the program and its longer term impact on fish populations.

RESPONSE

The Deputy Minister responded on September 8, 1989.

REVENUE

Inadequacies in Licence Issuing Process

Inaccuracies in Licence Issuing

"Our reviews also indicated inadequacies in the process in its first year of operation, arising in part from the speed with which the program was put in place. These inadequacies have since been overcome.

"However, our analysis of licence sales does not support the estimate of lost revenue cited in the Provincial Auditor's Report.

"In fact, in the first two years of the Resident Sport Fishing Licence, sales have been slightly higher than our original estimates. Revenue from licences is higher than anticipated because a larger population of anglers bought seasonal rather than four-day licences.

"Changes made to increase controls after the first year confirm our findings. In the second year of the program we introduced numbered licences and numerical controls, yet no significant increases in revenue resulted."

Inaccurate Declarations of Missing Licences

"We agree with the basic conclusion in the Provincial Auditor's Report."

ENFORCEMENT ACTIVITIES

Better Planning and Monitoring Needed

"For some time now, MNR has been implementing improvements to procedures for developing and carrying out enforcement plans. Many of our districts now have

complete enforcement plans in place. When fully implemented, the system will ensure that all districts use plans with a common format.

"We recognized the need for more consistent enforcement plans and control of activity reporting, and commissioned an internal report in 1987. Many of the report's 16 recommendations to improve the system were consistent with the Auditor's comments. The ministry is taking positive steps to improve the consistency of enforcement plans and controls on activity reporting."

Inconsistent Enforcement across the Province

"Enforcement statistics do vary in different areas of the province. This is to be expected. Resource bases and user profiles differ from one region to another. Therefore, an enforcement program appropriate for one district might be inappropriate for another. A more complete examination of these variances is needed to determine whether they affect enforcement.

"The ratio of warnings issued to charges laid would likely be different between areas with little small-game hunting and those with a significant amount. Also, such factors as population density, hunting ethics and urban orientation reflect the different types of hunters being contacted.

"Some areas have a policy of issuing warnings as a means of education that will improve compliance over time. This strategy is particularly suitable when a new regulation is being introduced.

"The report includes deputy conservation officers in the analysis of enforcement, but deputy conservation officers do not generally lay charges. They are a voluntary force and are used to support staff conservation officers in the field. Thus, a comparison of warnings with charges based on enforcement days must take this factor into account."

Improved Work Scheduling of Enforcement Staff Required

"MNR's scheduling of conservation officer staff is designed to cover peak hunting periods and also to allow time for the important work of preparing for prosecution of charges, as with other duties.

"Documenting some kinds of charges and following them through to court appearances is very time-consuming, and this work must be done during weekday business hours.

"Also, most hunting does not occur on weekends and in the evening. The peak of any hunting season is on opening day and in the first week of the open season. More officers are scheduled to work during this peak period, thus increasing the cost-effectiveness of the enforcement system. The activities of commercial fishermen and hunt camps primarily take place during weekdays. In addition, hunting at night is illegal in Ontario, and hunting on Sundays is illegal in southern Ontario.

"On the whole we believe that the time of our conservation officers is used quite effectively. Any analysis of effectiveness must take into account the periods when our scheduling needs are greatest."

Illegal Fishing in the Great Lakes

"We agree that better monitoring is needed to ensure the elimination of illegal fishing.

"At present, the level of monitoring varies from one district to another, depending on the amount of commercial and sport fishing in the district and the resources and equipment available to do the monitoring. Illegal fishing in some districts is a significant factor, while other districts - particularly on Lake Erie, where the largest amount of commercial fishing takes place - have a good record.

"It is not just the level of enforcement that is important. Effectiveness and efficiency are equally as important, especially given the nature of activity, industry characteristics and geographical areas involved.

"Furthermore, we believe that other, complementary efforts to cut down on illegal fishing are useful. For example, conducting programs to educate anglers and developing initiatives like the self-policing program on Lake Erie are worthwhile MNR activities.

"The ministry has for some time been carrying out investigations in areas where illegal fishing is a problem, and as the Auditor's report acknowledges, we have had considerable success in tracking down fisheries that are operating illegally.

"We are concerned about illegal fishing and are continuing to address the problem. In 1987, the year cited by the audit, the ministry was conducting its own study of illegal fishing on Lake Huron. The number of fisheries believed to have falsely reported catches that year was 12 and the number of pounds of fish under-reported was 210,000. These figures partly reflect the extend of the ministry's investigations in the area.

"With regard to the 25 conservation officers . . ., this figure was discussed in the early 1970s, but was never approved. It was never MNR's intention to implement the program at that level.

"Such a large number of officers devoted to this activity would be unnecessary. About 95 per cent of the fish commercially caught in Ontario are exported and are thus inspected by federal authorities.

"Based on many years of monitoring and co-operative efforts with other provincial and federal authorities in the health, environmental and fisheries areas, we believe that human health is not at risk. Data are available for fish being taken by sports and commercial fishermen throughout Ontario, giving a picture of where health problems exist and where they do not. Information is published and widely available to sport anglers with direction from health authorities about fish consumption. Commercial fisheries are either discounted or regulated with respect to species and size, to prevent harvest and sale of fish that are contaminated and may not be sold.

Revenue

Retail Sales Tax

"Our efforts to monitor contaminants and ensure the nutritional safety of fish caught and sold in Ontario are focused at the front end - that is, in the monitoring of commercial catches. All licensed commercial fisheries are required to submit to this monitoring as a condition of licensing.

"MNR staff continue to work with staff of the Ministry of the Environment and the federal Department of Fisheries and Oceans to ensure that adequate sampling takes place."

NON-ENFORCEMENT ACTIVITIES

Fish Stocking Methods Generally Adequate

"We agree that more detailed assessment of the success of our fish-stocking programs is needed. A more complete assessment, however, requires additional staff and funds."

3.12
Observations on Audit and Revenue Control Systems, Retail Sales Tax Branch, Ministry of Revenue.

Retail Sales Tax amounted to $7.8 billion, or over 20 per cent, of the total revenue of the Province for the 1989 fiscal year. The Retail Sales Tax Act imposes an eight per cent tax on most retail sales.

SUMMARY

SCOPE AND OBJECTIVES

Our audit assessed:

- The ability of the audit and service functions to encourage vendors to comply with legislation.
- The adequacy of collection procedures for overdue tax remittances.
- The adequacy of controls to ensure the accuracy and security of tax data.

In planning our audit, we considered the results of our previous audit in 1985 and reviewed internal audit reports and research studies.

Most of our audit work was conducted at the Ministry's Head Office in Oshawa. However, we also visited all three regional offices and interviewed regional field and managerial staff. In addition, we examined a number of audit and collection files.

CONCLUSIONS AND FINDINGS

AUDIT AND SERVICES

Although there has been significant payback from improvements in audit capability and productivity since our last audit, we questioned whether these improvements were sufficient to increase the level of voluntary compliance with the Act, particularly for small vendors.

Comments on Ministry and Crown Agency Audits

- **Despite improved audit productivity, the percentage of vendors audited had not increased since 1985, because of significant growth in the number of vendors. A large proportion of the small vendor population may never be audited.**

- **Field visits by service officers to small vendors had declined, thereby increasing further the risk of non-compliance.**

REVENUE CONTROL

The Ministry was effective in collecting taxes from delinquent vendors. Write-offs had declined, as a proportion of total revenue and vendor accounts, during the past four years.

ACCURACY AND SECURITY OF TAX DATA

The information system was well managed. There were adequate controls and security measures to ensure accurate and reliable data.

BACKGROUND

All retail store vendors are required to collect and remit the eight per cent sales tax on most merchandise sold. They are entitled to a nominal fee for collecting the tax. This fee is generally deducted from the total taxes collected and the net amount is remitted.

The Branch operates with approximately 440 people located at Head Office and 13 field offices. For the 1989 fiscal year, total expenditures of the Branch were $25.2 million, of which approximately 75 per cent or $19 million related to salaries and employee benefits.

The basic philosophy of the Ministry has been to encourage voluntary compliance by taxpayers through "soft services" as opposed to "hard" enforcement. Such services included the provision of information on tax changes through publications and seminars, as well as informal visits by service officers.

COMMENTARY

AUDIT AND SERVICES

Overview

Audit is one means of ensuring that taxpayers comply with all relevant aspects of the Retail Sales Tax Act and report the correct amounts on their returns. Audits have a twofold impact on vendors. Firstly, the immediate impact is upon the vendor subjected to the audit, and may result in direct revenues to the Province. In the 1989 fiscal year, the Branch raised close to $63 million in direct revenue. Secondly, and probably of more significance, is the awareness of other vendors that audits are being conducted. This awareness usually encourages voluntary compliance.

Audits can also be a good source of feedback on legislative and administrative problems. For example, an audit uncovering an error, which is based on a misunderstanding of the Retail Sales Tax legislation, can be compared to audits of similar vendors in order to determine the nature and extent of the problem.

This provides an ongoing mechanism whereby the legislation can be improved and made more readily comprehensible to vendors.

Given that the purpose of audits is not only to foster compliance by the individual vendors being audited but also to encourage voluntary compliance on a wider scale, it is important to ensure that:

- A sufficient number of vendors are selected for audit, taking into account the diversity of the vendor population and the risk of non-compliance or misinterpretation.

- Auditors are well-trained in audit procedures and well-versed in the legislation.

Service field officers are another important means of encouraging voluntary compliance. In addition to maintaining the computerized vendor tax roll, which is key to ensuring proper monitoring and collection of tax moneys due, their duties include providing vendor information services and conducting field education and surveillance visits.

Audit Coverage Still Insufficient

In 1985 we reported our concerns that the number of vendors being audited each year was insufficient to meet management's objective of encouraging voluntary compliance. We also estimated that the shortfall between the amount of retail sales tax that Ontario actually received and the amount it was legally entitled to receive could be anywhere from $300 million to $1 billion.

From 1984 to 1988, the number of auditors and group managers combined remained steady at about 160. However, the number of active vendors has grown from about 162,000 to 210,000 during the same period. Therefore, it is not unreasonable to expect that the "tax gap" would have increased with inflation, the expansion in the economy since 1985 and the higher tax rate.

For audit purposes, the vendor population is segregated by sales volume into "A", "B" and "C" categories: "A" vendors have revenues exceeding $200 million, "B" vendors have revenues between $30 million and $200 million, and "C" vendors have less than $30 million in revenues. Management conducts audits of all "A" and "B" vendors over a three to four-year audit cycle. "C" vendors are chosen from pre-selected profile codes based on the potential for non-compliance.

Although 5,690 audits were completed in 1989, this represented only 2.7 per cent of active vendors. The corresponding figure for 1985 was 3.1 per cent. Although the number of audits completed was higher than in 1985, it had declined from a high of 6,260 in 1987. In fact, audit coverage of the 200,000 active "C" small vendor category had dropped to 2.6 per cent in 1989 from 3.4 per cent in 1988. We estimated that at this rate it would take around 40 years to cover these "C" vendors.

Accordingly, a great number of vendors with revenue of less that $30 million may come and go without ever being subjected to an audit. Consequently, we felt that this level of small vendor coverage was insufficient to encourage voluntary compliance.

One study suggested that three per cent of the audits performed should be randomly selected to achieve greater long-term compliance without incurring excessive costs. We agreed that some random selection would give management better assurance about the effectiveness of their selection strategy both in identifying higher risk vendors and in encouraging voluntary compliance.

There had been a number of funding agreements between the Ministry and Management Board designed to increase the effectiveness of tax programs. The basic premise was that additional expenditures were approved as long as the Ministry met its promised targets for increased direct revenues. However, the last agreement, made in 1987, was subsequently cancelled because the Ministry was unable to meet its direct revenue target of $250 million, $85 million of which related to retail sales tax. The Ministry fell short on their retail sales tax commitment by some $20 million.

The Ministry had failed to consider the recruitment problems of the period and the training time needed before an auditor becomes fully productive. With several years of experience behind them, management felt capable of making more realistic revenue projections. We recommended that more audit resources be acquired to broaden audit coverage to at least five per cent of the active vendor population.

Significant Improvement in Audit Capability

Our audit in 1985 indicated that salary levels were not adequate to attract or retain better educated staff, and consequently many of the existing auditors were failing to perform up to the desired level. Subsequently, auditor classifications were upgraded and more qualified auditors were recruited, thereby improving both morale and the overall effectiveness of auditors.

Auditor performance over the past five years had also improved due to better training of auditors, closer supervision of audits, an improved Auditor's Handbook and the introduction of laptop computers. Consequently, the number of audits completed and direct revenues raised had significantly increased without increasing the number of auditors.The following table illustrates a growth rate of nearly 85 per cent in audits and almost three times the direct revenues assessed.

	1984	1985	1986	1987	1988	1989
Number of audits	3085	4995	5870	6260	6050	5690
Revenue assessed ($ millions)	21.4	31.3	55.3	64.7	62.6	62.8

Better trained and managed auditors had brought in much greater direct revenue than the added collection costs. Specifically, expenditures on salaries, portable computers and training were about $3 million higher in 1989 than in 1985, after allowing for cost of living increases for salaries. Future annual costs could be even less as fewer portable computers would be needed.

However, certain deficiencies still remained. We observed that the computer capabilities of audit staff required further upgrading, particularly in the use of laptop computers and in auditing more sophisticated computer systems of larger vendors.

Small Vendor Contacts Reduced

Established in 1982, the Special Vendor Assistance Program was given a mandate to contact small vendors to explain their vendor responsibilities, legislative rights and obligations, due to the significant budgetary changes made that year. The goal was to encourage those businesses affected by the changes to voluntarily comply with the Retail Sales Tax Act. The Ministry's response to our 1985 audit concern regarding the low audit coverage commented on the fact that the Program was an important measure in encouraging voluntary compliance. The Ministry stated that "14,000 (vendors) were visited under the Program" and that they believed these visits compensated, in part, for inadequate audit coverage.

In 1985, when the Program was handled by the audit function, there were some 60 Program officers assigned to conduct field visits. However, within the last year, responsibility for the Program was transferred to the Services Function where only two Program positions have been staffed.

The reduction in this small vendor assistance comes at a time of shrinking audit coverage. This reinforced our concern that small vendor contact may be insufficient to meet management's objective of encouraging voluntary compliance in the small vendor population.

REVENUE CONTROL

Overview

The Revenue Control Function is similar to an accounts receivable collection function in a private corporation. Its role is to ensure that vendors who are overdue in remitting the retail sales tax fulfill their statutory obligation and pay the tax. In terms of volume of activity, staff handled 94,000 late or delinquent payments representing approximately $260 million in overdue revenues in the 1988 fiscal year.

The approach to Revenue Control assumes that the majority of vendors who fail to remit their taxes when required do not do so deliberately. The progression of collection activity from reminders to seizing assets, as provided under the Retail Sales Tax Act, reflects this principle. As well, interest and penalty charges are waived for those vendors who file late for the first time during the preceding 12 months.

Although certain refinements were still possible, we felt that overall there were good control features built into the collection process.

Collection Effort Effective

The major indicator of the effectiveness of a collection function in any organization is the amount that must be written off as uncollectible. **For retail sales tax, the amount written off as uncollectible for the 1989 fiscal year was $6.9 million, or only one-tenth of one per cent of the total revenue of $6.9 billion, collected during the previous fiscal year. Write-offs during the past five years had declined about 45 per cent in relation to both revenues collected and the growth in active vendor accounts administered.**

Fiscal Year	Write-offs: Number of Vendors	Write-offs: Amount $ million	Previous Year Revenue Collected: $ billion	Previous Year Revenue Collected: Percentage
1989	1,396	6.9	6.9	0.10
1988	1,268	6.5	6.0	0.11
1987	1,401	6.3	5.2	0.12
1986	1,591	8.1	4.7	0.17
1985	1,949	7.7	4.2	0.18

This trend clearly indicated that collection effort was becoming more effective despite a growing tax roll.

ACCURACY AND SECURITY OF TAX DATA

The Retail Sales Tax Branch relies heavily on a computerized database information system (BASYS) for recording, storing and computing information concerning the administration of the Retail Sales Tax Act. BASYS was developed in 1982 at a cost of approximately $4 million. About 1.9 million transactions are processed each month.

We concluded that the computer system was well managed. There were adequate processing controls and appropriate security measures in place, and data integrity was maintained.

RESPONSE

The Assistant Deputy Minister provided the following reply to our findings and recommendations.

"Except as noted in my response, I am generally in agreement with the observations contained in the report. Your positive comments on the significant improvement in audit capability, the effective collection effort and how well the computer system was managed are all gratifying."

AUDIT AND SERVICES

Audit Coverage Still Insufficient

"Random selection of a portion of audits may provide some useful information, but could only be employed effectively in certain profile codes or geographic areas. However, we shall explore the feasibility of the suggestion.

"As reported to Management Board in 1988, the start-up of the 1987 agreement was delayed due to:

- *delays in the reclassification of auditors*
- *consequent delay in the recruitment process*
- *continued difficulties in hiring qualified staff due to competition from Federal Government and the Greater Toronto Area location.*

"The Branch believes strongly in encouraging voluntary compliance in the taxpayer base through a broad and visible audit presence. Subject to funding constraints, a number of measures have been implemented to try and broaden coverage over the past few years. These measures include profile code and 'A,B,C' classifications of the taxroll, and the introduction of computerized laptop technology into the audit process.

"Extending audit coverage to 5 per cent of the active vendor population would require the completion of some 5,000 additional audits. Based on the Audit Section's existing technology and audit methodology, this would require approximately 87 more auditors, plus additional management and support staff.

"In anticipation of continuing constraints, the Audit Section is investigating several approaches to increase audit coverage. These include: developing the ability to extract and analyze information directly from taxpayer databases; utilizing software such as IDEA or ACL; designing more effective audit selection and compliance tracking systems; and obtaining additional vendor financial information prior to the commencement of an audit."

Significant Improvement in Audit Capability

"Recognizing the widening gap between taxpayers' increasingly complex and sophisticated EDP facilities and the Branch's ability to audit them, the Branch initiated the following actions in the Audit Section:

- *Hiring preference was given to those individuals possessing EDP auditing experience.*
- *A professional accounting designation or registration in a course leading to a designation was required of all auditors.*
- *Computer technology was introduced into the audit process at the field level through the Laptop Program.*

"The Branch agrees that mainframe EDP audit knowledge and skills must continually be addressed, and is currently holding discussions with Human Resources, in conjunction with the Ministry's other audit Branches. The purpose of these discussions is to examine the feasibility of establishing a Ministry program to develop EDP audit capabilities and provide the necessary training."

3.13 Deficiencies Noted in Driver and Vehicle Registration Systems, Ministry of Transportation

The Transportation Regulation Operations Division provides driver licencing and vehicle registration services through five regional offices and 300 private issuing offices throughout the Province.

During the 1989 fiscal year, the Division collected $509.3 million of revenue and spent a total of $48.5 million (Vote 3703, Item 2).

SUMMARY

SCOPE AND OBJECTIVES

Our audit focused on the operations of the Driver and Vehicle Registration Systems and the management controls over the acquisition and use of EDP resources by the Division.

We assessed whether:

- the Driver System data was authorized, accurate and complete;
- revenue transaction processing and associated controls in the Vehicle Registration System were adequate; and
- EDP resources were acquired economically and utilized efficiently.

CONCLUSIONS AND FINDINGS

DRIVER SYSTEM DATA PROCESSING

Computer controls and operational procedures for the processing of data in the Driver System were adequate. However, in the processing of particular items we noted several system and administrative deficiencies.

- **Processing of conviction amendments, National Parole Board pardons and police correspondence were backlogged six months.**
- **Medical, conviction and suspension order documents were not secured against removal or destruction, nor was unauthorized viewing of medical records prevented.**
- **Licensed individuals can have more than one driver's licence number.**
- **Suspended drivers can obtain a new licence through legal name changes.**
- **The Driver System automatically reinstated suspended drivers upon payment of one fine even though other fines may have been outstanding.**

Transportation

Driver and Vehicle Registration Systems

VEHICLE REGISTRATION SYSTEM

Controls over revenue transaction processing, licence plates and renewal stickers were satisfactory. However, the recording of insurance information was not required.

RESOURCE ACQUISITION AND UTILIZATION

Generally, EDP resources were acquired and used in an economic and efficient manner, and payment controls were adequate. However, there were some notable exceptions:

- **Management Board approval was not obtained for a $1.2 million system project.**
- **Software acquired for $165,000 and a system developed for $193,000 had not been used.**
- **Consultants were paid in excess of original contract ceiling amounts.**

BACKGROUND

The Ministry's Transportation Regulation Operations Division is made up of two branches and four offices located in Downsview and Kingston. It provides driver licensing and vehicle registration services through five regional offices and about 300 private issuing offices.

There are a number of EDP applications in use to assist in the delivery of such services. The Driver System and the Vehicle Registration System are the two major applications. The two systems are integrated and financial data pertaining to vehicles and drivers are processed by a subsystem called the Vehicle Licensing and Control System. Combined, both systems process an average of 400,000 transactions per day.

COMMENTARY

DRIVER SYSTEM DATA PROCESSING

Overview

The Driver System issues licences to the six million qualified drivers in the Province and records information needed to improve and control licensed drivers. The system also supports the operations of other ministries and law enforcement agencies such as Ministry of Attorney General, Ministry of Consumer and Commercial Relations, Ontario Provincial Police, etc.

The Driver System was automated in 1966. Over the past twenty years, numerous changes have been made to the system to satisfy changes in driver policy and user requirements. A Driver System Review Project is underway to review the driver program and work towards developing a new Driver System. In 1987/88, 298,000 original driver licences and 2.2 million renewals were processed.

Operation of the Computer System Adequate

Considering the volume of driver licensing and driver control data, we concluded that the operation of the computer system and related controls were adequate. However, we did note some weaknesses.

Untimely Input in Driver Improvement Office

It is important that input documents in the Ministry's Driver Improvement Office be processed on a timely basis. Such input documents include conviction amendments from the Provincial Courts, National Parole Board pardons, and correspondence from the police concerning individuals caught with more than one driver licence number.

When an amendment or pardon is not recorded within a reasonable time, several things can happen:

- Reinstatement may be delayed for a driver who was suspended.
- An insurance company may increase a driver's insurance premium inappropriately.
- The Driver Improvement Office may interview a driver unnecessarily.

A six-month backlog of approximately 8,000 documents was noted in the Driver Improvement Office. Approximately 30 per cent of documents were processed as a result of frustrated drivers calling to ask for special consideration to speed up the processing. Such requests interrupted Driver Improvement Office activity as the court involved must be contacted to verify the information, even though the Ministry already has the information in the backlog. A transaction was then generated for processing by the computer system and the police were notified of the reinstatement.

Action was being taken during the audit to clear the backlog.

Medical, Conviction and Suspension Order Documents Not Secure

Convictions under the Highway Traffic Act, the Criminal Code of Canada, unpaid fine suspensions, as well as accident-related data are recorded. This data is important in the administration of the demerit point system and is provided to insurance companies so that driver insurance rates can be set. In addition, unpaid fine suspensions and Criminal Code Convictions resulting in licence suspensions are forwarded to the police for enforcement.

During the course of the audit, approximately 20,000 such documents awaited processing. They were not secured from unauthorized or accidental removal. As the documents had not yet been recorded, any removal would have gone unnoticed.

In the Driver Improvement Office, many types of documents relating to individual drivers were processed. Medical reports from physicians, criminal searches on applicants of certain classes of licences, driver interview results, and conviction amendments made up the bulk of input in this area.

Thousands of these documents were not being secured from unauthorized viewing, removal or destruction. These documents had not been microfilmed and their removal might have gone unnoticed. As part of management's overall plan to improve document processing and storage, lockable cabinets were being installed at the time of the audit.

Transportation
Driver and Vehicle Registration Systems

Multiple Driver Licence Numbers Issued

The Driver System generates a 15-character driver licence number based on surname, first name, middle initial, birth date and sex. It is critical to ensure that each licence number is used only once to effectively monitor and control drivers in Ontario. For the same reason, it is also important to ensure that each driver has only one licence number.

The process that generates driver licence numbers ensures that each number is unique. **However, individuals can have more than one number. Since September 1987, more than 1,000 instances of individuals with multiple driver licence numbers were detected by the police or by the Ministry.** The problem generally stems from individuals altering their first and middle names, and sometimes their date of birth, on their applications. For example, John James Jones may be entered as John Jones, John J. Jones or J. John Jones. The computer system regards each one of these as a different name and generates a different driver licence number since it is designed to create a new number if it cannot find an exact match.

The system also generates a new drive licence number when there is incomplete information on conviction notices or collision reports. Another possible cause of multiple driver licence numbers is the Ministry's acceptance of 24 different documents as identification, thereby increasing the chance of capturing inconsistent information.

When a driver has more than one driver licence number, the driving record for the individual is fragmented and incomplete. This defeats the driver improvement efforts of the Ministry since important data, such as demerit points, are spread over two or more licence numbers, and the Ministry is unaware of the multiple numbers.

Suspended Drivers May Obtain a New Licence through Legal Name Changes

The suspension of a driver's licence may be circumvented by an individual through a legal name change and subsequent application for another licence. While most people change their name for legitimate reasons, those who have had their driving privilege revoked may attempt to avoid the suspension through a legal name change.

There was no mechanism for the sharing of legal name change information between the Ministry of Consumer and Commercial Relations and the Ministry of Transportation. It was noted that, in 5 out of a sample of 105 legal name changes, the individuals failed to notify the Ministry of their legal name change. **An individual may change his or her legal name for $100 and then apply for a driver's licence as if he or she had never been licensed. The Driver System has no way to detect such a fraudulent application.**

One instance demonstrates this point. We concluded that an individual had three licence numbers under three different legal names. The driving records indicated 11 convictions for impaired driving, blood alcohol exceeding .08 and refusing a breathalyzer test. There were also four convictions for driving while disqualified.

We recommended that the Ministry examine the feasibility of obtaining legal name change information to make the Driver System less vulnerable to manipulation by suspended drivers.

Suspended Drivers Reinstated Even Though Fines Outstanding

Drivers convicted of an offence and ordered to pay a fine by the court sometimes ignored the fine even though a warning notice of impending driver licence suspension was mailed to them. As of January 31, 1989, there were approximately 260,000 drivers with outstanding fines valued at slightly more than $16 million. The Highway Traffic Act states that the Registrar shall not reinstate any driver's licence suspended for an unpaid fine until all outstanding fines have been paid.

A review of the Driver database and microfilmed documents showed that the Driver System did not process all of an individual's unpaid fines correctly. **Unpaid fine suspensions, subsequent to the first one, were rejected by the system. As a result, the payment of the first fine automatically reinstated the driver licence.** Of the 260,000 drivers with unpaid fines mentioned above, 177,000 drivers had more than one outstanding fine and their fines totalled $10.5 million. **This system inadequacy meant that the Ministry of the Attorney General co-ordinated the actions of the Provincial Courts and the Ministry in order to monitor and control the rejected transactions. It also reduced the effectiveness of driver control and fine collection procedures.**

Management informed us that a project to correct this deficiency has been underway since 1984 and was in the pilot testing phase.

VEHICLE REGISTRATION SYSTEM

Overview

The Vehicle Registration System was implemented in 1983 and records, monitors and controls the registration and licensing of motor vehicles, and accounts for the related revenues.

The system stores information on over 8 million vehicle registrants and 11 million vehicles. Approximately 10 million registration transactions are processed annually.

Revenue Transaction Processing Satisfactory

The controls over the collection, deposit and recording of licence plate and renewal sticker revenue were examined for accuracy and completeness. Controls to ensure the safeguarding of the inventory of licence plates and stickers were also reviewed. We noted that revenue transaction processing had significantly improved since our previous review.

Controls over collection, deposit and reporting of revenue were adequate. Revenue was collected on a regular basis, inventories were accounted for and transaction data was accurately recorded.

Errors in issuing licence plates and renewal stickers were resolved on a timely basis. NSF cheques and refunds were sufficiently controlled.

Transportation
Driver and Vehicle Registration Systems

Recording of Insurance Information Not Required

Under the Compulsory Automobile Insurance Act (CAIA), "every person making an application for the issuance, validation or transfer of a permit for a motor vehicle shall certify . . . that the motor vehicle is insured . . ." In addition, the Act states that the Registrar of Motor Vehicles, "shall not issue, validate or transfer the permit for the motor vehicle, where such certificate of insurance is not provided to the Registrar." This requirement is explicit on the registration forms used for renewals and transfers of motor vehicles.

However, **the Act does not require the Registrar of Motor Vehicles to record or verify the certificate of insurance.** Discussions held with the Office of the Superintendent of Insurance at the Ministry of Financial Institutions indicated an interest in having the information stored with the registration system.

We recommended that the Ministries further explore the cost/benefits of storing this information on computer databases.

RESOURCE ACQUISITION AND UTILIZATION

The Safety and Regulation program spent $20 million, in 1987/88, for EDP operations, computer systems development and related work. **All EDP-related payments were authorized and recorded in the Ministry's financial accounting system.**

Compliance with applicable regulations, policies and procedures pertaining to the acquisition of EDP hardware, software and human resources was satisfactory. However, we noted some exceptions as outlined in the following sections.

Management Board Approval Not Obtained for System Project

The Single Application Vehicle Registration system began as a maintenance project. However, it evolved into a major system development project with a total cost of $1.2 million and was scheduled for completion at the end of March 1988. The following administrative concerns were observed:

- As reported by the Ministry's Internal Auditors in 1987, Management Board approval was not obtained for the overall project. However, Management Board Directives require that all information technology projects costing over half a million dollars have prior approval of Management Board.
- The project was behind schedule and the costs exceeded the estimate.

Software Acquired/Developed But Not Used

In spite of technical feasibility problems raised in evaluations prior to acquisition, systems library control software was purchased for over $165,000 in March 1987.

Subsequently, the product could not be installed due to Ministry turnover and inappropriate vendor support. No recovery of the software cost was possible due to the licensing agreement.

Comments on Ministry and Crown Agency Audits

In support of another computer application, a management information component was developed as a prototype primarily by three consultants. **This was done at a cost of more than $193,000 over two years. Further work was suspended due to a re-evaluation of priorities.**

Management informed us that valuable information had been obtained as a result of the project.

Consultants Paid in Excess of Original Contract Ceiling Amounts

Consultants are usually paid at much higher rates than permanent staff. Therefore, carefully planning consultants' work, properly selecting them and supervising their progress are important functions of management.

Three of the seven consultants in our sample were paid a total of $482,000 on contracts with original ceiling amounts totalling $241,000. In one case the total payment of $187,400 was more than triple the $57,800 original contract amount. The consultants had been selected through a proper tendering process in which their bids were reasonable and competitive. However, subsequent addenda or renewals enabled the consultants to collect far more than any consultant bid in the original tender.

More rigorous planning would ensure contract completion within the negotiated ceiling price and promote fairer competition among vendors of consulting services.

RESPONSE

We received the Deputy Minister's response on September 15, 1989.

DRIVER SYSTEM DATA PROCESSING

Untimely Input in Driver Improvement Office

"Following the application of a significant amount of overtime over the past several months, some improvements have been made in the processing time for input documents. Service standards have been developed for driver improvement products and services and are currently being implemented. Discussions are currently underway with Management Board regarding resources required to address these standards. In addition, mechanisms have been put in place to ensure timely input of driver improvement information based on its potential impact on highway safety."

Medical, Conviction and Suspension Order Documents Not Secure

"Driver Improvement Office is currently moving towards a 'clean desk' approach as part of security initiatives. This includes the acquisition of locked storage cabinets for all work in addition to providing appropriate space for each staff member. We have acquired shredding bins which do not allow for the removal of documents, have placed 'staff only' signs at the entrances to the office and are currently investigating the feasibility of installing locked doors to prevent unauthorized entry to the office. These initiatives are part of a security plan developed in August, 1988."

Transportation
Driver and Vehicle Registration Systems

Multiple Driver Licence Numbers Issued

"It is not possible within the existing driver system to implement this recommendation. This is due to the significant tradeoffs involved in time and cost required for computer-driven contender checking. Business analysis is, however, currently underway for a new driver system, and this requirement will be considered as part of the system redesign."

Suspended Drivers May Obtain a New Licence through Legal Name Changes

"The Ministry is currently investigating with the Ministry of Consumer and Commercial Relations the establishment of an interface between the driver and vehicle systems and birth/death registration. Upon completion of this project, the Ministry will investigate the extension of such an interface to name change information."

Suspended Drivers Reinstated Even Though Fines Outstanding

"Recently an electronic interface was implemented between the Ministry and the Ministry of the Attorney General. This interface will expedite the processing of suspensions and reinstatements for unpaid fines. A proposed modification planned for 1990 will prevent drivers with multiple unpaid fines from being reinstated until all fines are paid."

VEHICLE REGISTRATION SYSTEM

Recording of Insurance Information Not Required

"The collection of insurance information is a secondary aspect to the Ministry's mandate, however, the Ministry will initiate discussions with the Ministry of Financial Institutions to explore further the costs/benefits of storing this information on shared computer databases. This will also determine the other ministries' interests and involvement."

RESOURCE ACQUISITION AND UTILIZATION

Management Board Approval Not Obtained for Systems Project

"The Single Application Vehicle Registration (SAVR) systems project was initiated by the Canadian Council of Motor Transport Administrators (CCMTA) and all Canadian jurisdictions were responsible for implementation within certain timeframes. This project commenced as a maintenance task associated with the Commercial Vehicle Operator Registration (CVOR) application and was not expected to become a major systems development assignment based on preliminary requirements.

"The SAVR system has since been implemented in compliance with the CCMTA agreement and a post implementation review has been scheduled this fiscal year to assess the final scope, benefits and resource requirements for this project. This information will be provided to Management Board and approvals obtained as appropriate for any future projects."

Software Acquired/Developed But Not Used

"Since the acquisition of a Computer Systems Library Management software project in 1987, the Ministry has experienced continuing problems with the vendor support, decreasing confidence in the product and staff turnover which has contributed to insufficient in-house expertise. Based on this situation, the plan is to utilize a product now currently available at the Ministry of Government Services Computer Centre which addresses our requirement adequately.

"Consultant expertise was required to develop the Management Information Component of the new Carrier System and the use of this component will continue to be evaluated in conjunction with other program priorities along with the overall business strategic plan."

Consultants Paid in Excess of Original Contract Ceiling Amounts

"A review of the three consultant assignments identified in the Audit by Ministry management has indicated the proper tendering procedures were followed and subsequent addenda or renewals were substantiated.

"All process requirements of the Ministry's Consultant Assignment Committee were followed. The Ministry's CAC meets weekly in order to ensure appropriate reviews occur for consultant assignments prior to the Deputy Minister's approval and in conjunction with the Management Board directive.

"The Ministry has further strengthened the definition and management of consulting assignments in this area through the creation of a new position, Senior Manager, Regulation Systems. One responsibility of this position is to implement an improved project monitoring and reporting system, including consulting assignments."

3.14 Opportunities for Improvement - Examination, Inspection and Enforcement Activity, Ministry of Transportation

The Examination, Inspection and Enforcement Activity is responsible for the regulation and licensing of vehicles and drivers, as well as the establishment and enforcement of highway safety standards.

The 1989 fiscal year expenditures for this Activity were $39.1 million (Vote 3703, Item 3).

SUMMARY

SCOPE AND OBJECTIVES

Our audit of the Examination, Inspection and Enforcement Activity was conducted at the Ministry's head office in Downsview and included visits to five of its 14 district offices, located in Brampton, Kingston, London, Scarborough and Thunder Bay.

With over 80 per cent of the expenditures being for salaries and wages, our audit objectives were to assess whether examination and enforcement procedures were conducted efficiently and in accordance with Ministry-established service and safety standards.

Transportation

Examination, Inspection and Enforcement Activity

CONCLUSIONS AND FINDINGS

DRIVER EXAMINATION

Overall, we found that driver examination staff productivity was at a high level. However, compliance with certain key standards and procedures was inadequate.

- **Excessive backlogs of applicants waiting for driver road tests resulted in delays of up to 18 weeks in certain locations.**
- **Driver examination pass rates varied significantly among examination centres and individual examiners, indicating that driving tests were not administered consistently across the province.**
- **Impersonation of applicants occurred during the road test phase of the driver examination.**
- **Excessive backlogs in processing physicians' medical reports resulted in medically unfit drivers continuing to drive for longer periods of time.**

INSPECTION AND ENFORCEMENT

Little formal monitoring of inspection and enforcement procedures was being done.

- **Bus safety inspections were not conducted as frequently as required under the Ministry's guidelines even though prior inspections raised concerns about the level of safety defects.**
- **The percentage of inspected commercial vehicles removed from the road for safety defects ranged from 28 per cent in some districts down to 7 per cent in others.**

In the 1988 fiscal year, 22 per cent of trucks inspected were removed from service due to safety defects, compared with 15 per cent in 1975. The Ministry is aware of this trend and has recently undertaken several initiatives to improve overall highway safety. For example, aided by a new computer system which identifies trucking operators who habitually contravene regulations, the Ministry has been successful in encouraging such operators to operate and maintain their vehicles in a safer way.

COMMENTARY

DRIVER EXAMINATION

Overview

The Driver Examination function is responsible for conducting visual, written and driving examinations. In the 1988 fiscal year, approximately 435,000 road tests were conducted at the Ministry's 66 driver examination centres and 100 travel points. There were 100 full-time driver examiners. Occasionally, temporary contract staff were hired to assist the permanent driver examiners.

Comments on Ministry and Crown Agency Audits

High Rate of Utilization of Examiners

The Ministry has established a standard for the amount of time it should take to administer road tests for the different types of drivers' licences offered in Ontario. The maximum possible number of applicants that can be tested by each examiner is based on the length and proximity of the test route at each examination centre.

We reviewed the number of tests given against the maximum possible and found that the utilization rate was high. For instance, of the five district offices we visited, only one had a utilization rate of less than 80 per cent. This was the London Office which had a rate of 78 per cent. Additionally, we noted that the number of province-wide tests per examiner increased from 2,332 in the 1987 fiscal year to 2,507 in the 1989 fiscal year.

The Brampton and Scarborough Centres had excellent utilization rates, averaging 94 per cent. The high rates resulted from a large demand for road tests. As well, these two centres permitted over-booking and stand-bys, thereby, further reducing the number of unused test times.

Excessive Backlogs of Driver Examinations

Ministry standards require that applicants be examined within six weeks of requesting a road test at examination centres. At travel points, the standard is eight weeks.

The Ministry had significant difficulty meeting the demand for driver road tests. As of November 1988, almost 100,000 applicants were waiting to take road tests. The Ministry had identified 25 examination centres and travel points with critical backlogs of applicants. Specifically:

- Fifteen centres in the Central Region had examination waiting periods of more than eight weeks.
- As of November 1988, the Brampton Centre had over 18,000 booked and a waiting period of at least 13 weeks.
- The Scarborough Centre had a backlog of close to 24,000 individuals and a waiting period of 18 weeks.

For some applicants, a backlog in driver examinations is a frustrating delay; for others, it represents a major disruption. For instance, one individual had a new business that was extremely dependent on the use of a motor vehicle. Without the approval of the Ministry to drive, the individual was concerned about the new company's financial stability.

The backlogs are growing as there are insufficient driver examiners, particularly in the Central Region, to cope with the increased number of applicants in the last few years. We understand that in the 1989 fiscal year, the Ministry was unable to reduce the backlog by transferring examiners from less busy centres to centres in the Central Region, due to union restrictions.

We also understand that due to a high "no show" rate, centres outside the Metro Toronto area, such as London, ceased accepting telephone bookings for road tests if the applicant did not reside in the region. For instance, if a Scarborough applicant was advised that there was an 18-week waiting period and wanted to drive to London to take the test earlier, London would refuse unless the individual applied in person, rather than by telephone.

Significant Variances in Pass Rates

Driver examination standards are set by the Ministry to ensure all examinations are conducted on a consistent basis throughout the province. District supervisors are required to monitor driver examiner pass rates as well as periodically observe examiners during road tests. We noted that the average provincial pass rate in the 1988 fiscal year was 67 per cent. **While some fluctuation is to be expected, our review of pass rate statistics for the five districts visited, revealed considerable variances among examination centres and even examiners at the same centre.** For example:

	Centre's Average	By Examiner	
Exam Centre	Pass Rate %	Lowest Pass Rate %	Highest Pass Rate %
Brampton	53	38	70
Scarborough	64	44	72
London	68	56	81
Kingston	79	76	83
Thunder Bay	86	82	89

We had a similar observation in our 1984 Report and continue to believe that these variances may result from some examiners passing individuals with marginal driving skills who other examiners would have failed. We were informed that the Ministry had not conducted a province-wide training course for examiners in the last three years.

Impersonation of Applicants for Driver's Licences

Under the current system, beginner applicants are allowed to obtain a learner's permit upon successful completion of a written test. Two pieces of identification are required before this permit is issued. However, identification without a photograph is allowed.

An individual with a learner's permit may make an appointment for a road test and provide the documentation to an acquaintance who is an experienced driver. The imposter then takes the road test and, upon passing the test, is brought into the examination centre and waits in the general waiting area. Because of the crowded situation in these centres, the opportunity exists for the imposter to switch places with the individual who was impersonated, thus enabling the latter to obtain a driver's licence.

This problem is more prevalent at busy centres. For instance, **at the Scarborough Examination Centre, during the month of February 1988, 22 persons were apprehended for taking tests for other applicants. This was the number caught. There might have been many others who were not detected.**

We understand that the Ministry is addressing this problem. For instance, a separate holding area has been constructed at the Scarborough Examination Centre for applicants who have completed the road test. Alternatively, the Ministry could take the photograph for the driver's licence when the learner's permit is issued.

Delays in Processing Physicians' Medical Reports

Physicians are required to submit detailed medical reports to the Ministry if they believe a driver is unable to drive safely. If the Driver Improvement Office believes that minimum medical requirements are not met, the medical report is forwarded to the Medical Advisory Committee for a final decision.

The Committee is made up of physicians who advise the Registrar of Motor Vehicles on the action to take in complex cases. Depending on the seriousness of the medical condition, such action includes lowering the classification of, or suspending, an unfit driver.

In the 1988 fiscal year, approximately 26,000 complex medicals were processed. According to Ministry standards, complex medicals should be processed within three weeks of receipt.

A sample of 60 complex medicals from the Driver Improvement Office was selected and reviewed. **Of the cases going to the Committee, it took an average of ten weeks to reach the Committee and an additional three weeks to process the medical once the Committee had made its decision.**

A further sample of 120 complex medicals was taken. These were medicals of drivers with such serious medical conditions as seizures, alzheimers and neurologically impaired vision. An average of nine weeks elapsed before a suspension notice was issued.

In two cases, individuals were involved in a vehicle accident between the time their medical report was received and the time a suspension notice was issued. One was involved in an accident while suffering from the effects of medication required for the medical condition.

INSPECTION AND ENFORCEMENT

Overview

The Inspection and Enforcement program deals primarily with larger vehicles such as trucks, tractor trailers, and buses. The program is administered by a staff of approximately 380. The program's objective is to influence and enhance highway safety by monitoring on-road compliance with the prescribed rules and regulations.

Education and awareness programs are provided for drivers, carriers and shippers. Enforcement is provided through verbal and written warnings, vehicle detention, formal charges, convictions and fines, compliance interviews and cancellation of licence plates.

Compliance is monitored in various ways:

- 46 permanent truck inspection stations and 48 pull-off areas are used to inspect trucks for safety and weight violations.
- On-road inspectors pull trucks over, and weigh and inspect them on a surprise basis.
- Staff visit truckers' and shippers' offices to examine documents for weight violations.

Lack of Bus Safety Inspections

The Ministry Bus Safety Inspection program requires inspections of bus operators to ensure that the safety standards prescribed in the Highway Traffic Act and Regulations are met. Each region is responsible for the audit of all vehicles in its geographic area. In the 1988 fiscal year, over 8,600 buses were inspected, down from 9,000 and 12,400 in the 1987 and 1986 fiscal years, respectively.

The Ministry has established a good system for classifying bus operators. Based upon previous inspection results, bus operators are categorized as an A, B or C carrier according to the overall condition of their fleet. An "A" operator should be inspected twice annually, while a "C" operator, with a poor safety-defect history, should be inspected four times annually.

The Ministry's guidelines specify the sample sizes to be selected during each inspection. Operators with over 50 buses must have at least 10 per cent of their fleet inspected. For smaller fleets, the number to be sampled is specified. Additionally, if a major defect is found in one of the buses, an increased sample size is required.

All districts visited had difficulty in meeting these frequency guidelines. For example, in the Kingston District, 17 out of 20 bus operators sampled did not meet the frequency of inspection criteria based upon operator safety ratings. In fact, seven of these operators were not audited at all during the 1988 fiscal year. Similarly, in the Toronto District, 17 out of 20 operator records sampled did not meet audit frequency standards.

Additionally, during our review of operator records, **we observed that a major transit authority in the Metropolitan Toronto area had a record of numerous safety-related defects.** For example, in the 1988 fiscal year, 23 per cent of the buses inspected were detained for major defects. In the 1989 fiscal year, 13 per cent of buses inspected were detained. **Although Ministry guidelines specified that an operator with such a high defect percentage should be visited four times each year, we observed only a single inspection visit was made in each of 1988 and 1989.**

Comments on Ministry and Crown Agency Audits

Significant Variations in Inspection Results

The Ministry's Commercial Motor Vehicle Inspection program was established in 1974 to promote vehicle safety through the inspection of the mechanical condition of commercial vehicles. Defects were recorded in a database system from which an inspection report of defective components could be produced.

Using this database to generate statistics on defect rates, charges laid and vehicles removed from service, we found significant fluctuations among the various regions and districts. Some variance was expected due to the volume and type of trucks travelling in the area. However, **the extent of the differences may indicate inconsistencies in the quality of inspections being carried out province-wide.**

For example:

- Eastern and Northern Regions reported much lower component defect rates as a percentage of vehicles examined during the 1988 fiscal year.

- Central Region had the highest defect rate in most safety categories, although the Southwestern Region exhibited the highest defect rate for air brakes, as well as vehicles removed from service, for both the 1988 and 1989 fiscal years.

Comparison of some districts highlighted further inconsistencies:

- Brampton and London removed 28 per cent of trucks inspected while Toronto and Ottawa removed only seven per cent.

- London charged 25 per cent of all trucks inspected with violating the Highway Traffic Act, while Toronto charged only five per cent and Ottawa, three per cent.

We questioned whether district and head office management were aware of these inconsistencies and, if so, whether any remedial action had been taken. **We were informed that while managers were aware that statistical reports by inspector, district and region were available, the Ministry was not utilizing this information as a regular management tool.**

Enforcement Initiatives

Addressing Safety Concerns

With the advent of deregulation of the trucking industry and recent increased public concerns over truck safety, greater emphasis is being placed on the Commercial Motor Vehicle Inspection program to ensure that trucks are mechanically safe.

In the 1988 fiscal year, of almost 26,000 vehicles inspected, 22 per cent were found to have safety defects of a serious enough nature to warrant their removal from the road by the inspector. In 1975, approximately 15 per cent of vehicles inspected were removed from service. Overall, since 1975, mechanical defect rates have remained relatively constant. However, air brake defect rates have shown steady increases. Such defects were largely responsible for the overall increase in vehicles removed from service.

At first glance, these statistics may indicate that the program has not been effective in encouraging trucking operators to ensure their vehicles are mechanically safe. However, it is also possible that more defects have been found in recent years because of better trained and more conscientious inspectors.

Regardless, the Ministry has recognized that initiatives are needed to enhance overall highway safety and has reorganized its Enforcement program over the last few years. Enforcement coverage has moved from a fixed shift schedule at truck inspection stations to that of random openings of inspection stations and increased mobile patrols to intercept and weigh violators who choose to bypass inspection stations. Furthermore, the total number of commercial vehicles inspected by the Ministry's enforcement officers has increased.

Better Monitoring of Problem Truck Operators

In October 1986, the Ministry implemented an automated system to file convictions, accidents, and defaulted fines for carriers operating commercial motor vehicles.

This Commercial Vehicle Operator Registration system enables the Ministry to monitor, control and, if necessary, cancel the licence of operators who habitually contravene safety laws, standards and other regulatory requirements. Under the new system, all carriers are subjected to the same selection and enforcement criteria.

At a predetermined threshold, based on type of convictions and fleet size, a warning letter is issued. Further accumulation of convictions may result in the carrier operator being requested to attend an interview. If a reduction in convictions of 25 per cent every six months was not observed by the Carrier Control Office, a second interview would be conducted. If, after further consultation, the carrier did not reduce the conviction rate to a satisfactory level, possible suspension of the carrier's operating licences could result.

In an effort to assess the effectiveness of this system, the Ministry's Carrier Control Office analyzed data gathered for the period from October 1986 to July 1988. The results indicated the following:

- 74 per cent of carriers warned did not require an interview.
- 77 per cent of carriers interviewed reduced their convictions by over 25 per cent.

Although this program is still in its initial stages, the Ministry has succeeded in encouraging operators to reduce the incidence of subsequent convictions.

Comments on Ministry and Crown Agency Audits

RESPONSE

The Ministry of Transportation replied on August 16, 1989.

DRIVER EXAMINATION

Excessive Backlogs of Driver Examinations

"Although the Ministry has made favourable increases to the productivity and staffing levels in the driver examination function, these positive initiatives have not kept pace with the increased level of demand for driver examination services. Short term measures such as Saturday openings for purposes of conducting the basic Class 'G' road test have been used, as has the hiring of contract staff to assist in reducing the backlogs. In addition, the Ministry recently implemented an automated road test booking system at the John Rhodes Driver Examination Centre and the Scarborough Driver Examination Centre. The Ministry plans to expand this system to minimize the occurrence of double and triple road test booking by the same applicants and thereby reduce waiting periods.

"Discussions are underway with Management Board with respect to the overall resource levels associated with this activity."

Significant Variances in Pass Rates

"The Ministry will analyze the reasons behind the variances in pass rate and put in place an appropriate management or training response.

"In planning stages now, for implementation in early 1990, is a one-week training program for new driver examiners. A second phase will involve driver examiners with more than six months experience. The longer term objective is to establish an annual driver examiner and driver examiner supervisor refresher course to improve consistency in driver testing between examination centres and examiners."

Impersonation of Applicants for Driver's Licences

"The Ministry is reviewing all its driver licencing processes with the aim of introducing major improvements in the early 1990s. This includes taking a photograph when an applicant applies for a Class L or R and Temporary Licence.

"In the short term, other measures such as separate holding locations for applicants at large volume centres and closer scrutiny of identification documents are under review."

Delays in Processing Physicians' Medical Reports

"Demand for complex medicals has increased by 17 per cent over the past three years. The desired Ministry service standard remains to process these reports within three weeks of receipt.

Alcoholism and Drug Addiction Research Foundation

"In order to address the situation of drivers continuing to drive with a serious medical condition, we have introduced an Immediate Suspension Program. Medical reports concerning drivers who have developed serious medical problems and are considered by their doctors unsafe to drive are now vetted directly by the program supervisors and forwarded to the Registrar of Motor Vehicles for immediate decision. The turnaround time for this action is between 2-3 weeks, which includes the time of receipt of report to the issuance of the suspension. This process enables us to deal with the most serious medical cases in a timely fashion."

INSPECTION AND ENFORCEMENT

Lack of Bus Safety Inspections

"The Ministry will review the audit frequency guidelines to ensure they permit the road and highway safety objective to be met within realistic staffing levels."

Significant Variations in Inspection Results

"The Ministry is addressing questions of quality and consistency in inspections on several fronts.

"Commencing May 1, 1989 all enforcement officers are attending an extensive two week training session to upgrade their technical skills for inspecting commercial motor vehicles in accordance with current Commercial Vehicle Safety Alliance Standards (CVSA). In addition the Ministry is exploring newer alternatives to the Commercial Motor Vehicle Inspection (CMVI) database system in order to improve the timeliness and quality of inspection information."

3.15 Significant Deficiencies in Consulting Arrangement, Alcoholism and Drug Addiction Research Foundation

The Alcoholism and Drug Addiction Research Foundation conducts research, provides educational and consultative services, and publishes informational materials on alcohol and drug addiction.

The Foundation received an operating grant of over $30 million for the 1989 fiscal year from the Ministry of Health (Vote 1804, Item 3).

SUMMARY

OBSERVATIONS

In conjunction with our annual audit of the Foundation's financial statements for the fiscal year ending March 31, 1989, we had serious concerns about the awarding and control of one large consulting contract.

- **Payments to the consulting firm were three times the Foundation's share of the project costs.**
- **Failure to use a competitive selection process, project terms of reference and a written contract resulted in a lack of control over payments to the consulting firm.**

COMMENTARY

Payments by the Foundation for consulting services totalled $2 million in the 1989 fiscal year. Of this amount, $424,000 was paid to one consulting firm to develop a corporate communications strategy.

Our review of the arrangements which the Foundation had with this firm revealed significant deficiencies in the process used to acquire and control the consulting services being rendered.

A competitive selection process was not followed in spite of the Foundation policy requiring such a process for all acquisitions over $5,000. A competitive process helps to ensure that the best value is received for funds expended, that vendors are treated fairly, and that the consulting firm selected is the one best qualified to meet the requirements of the assignment.

Furthermore, there were neither terms of reference established by the Foundation before acquiring the services of the consulting firm nor was there a written contract between the Foundation and the firm. Documentation of this nature is essential to a clear understanding of the specific objectives, the expected results, and the ceiling price and time frame for the assignment.

Where an assignment is not well defined, there is no framework to control costs, and situations may arise where it becomes expedient to use the consulting firm in extending the assignment. In this regard, we noted:

- The budget framework prepared by the consulting firm estimated the total cost of developing and mounting the corporate communications strategy to be $887,000. The Foundation's share of this was to be $377,000, and the remainder was to be raised through corporate sponsorships. However, at the time of our audit in July 1989, no funds from corporate sponsorships had been received, and the total payments to the consulting firm from the start of the arrangement in the 1987 fiscal year, totalled approximately $1 million.

- The consulting firm was paid $65,000 for redesigning and writing a monthly issue of the internal newsletter "Inside ARF," which had previously been prepared by Foundation staff. Additionally, the firm was paid $1,300 for redesigning the Foundation's Christmas cards. We do not feel that these payments were within the intent of the assignment.

In reviewing invoices from the consulting firm, we also noted the following items:

- $91,000 for "general consulting" without any further support; and

- $82,000 for services provided with no cost breakdown by service.

We recommended that the current arrangements with this consulting firm be reviewed and a contract be established which specifically sets out the remaining services to be provided and the costs thereof. Consideration should also be given to a competitive selection process for these remaining services.

Province of Ontario Council for the Arts

RESPONSE

The foregoing comments were included in a report dated August 16, 1989. As of the reporting deadline (September 15, 1989), no response had been received from the Foundation.

3.16 Grants Management Satisfactory, Province of Ontario Council for the Arts

The Province of Ontario Council for the Arts (Council) was established in 1963 by the Arts Council Act. Its mandate is to promote the study, enjoyment and production of works in the arts. The Ministry of Culture and Communications is the main source of funding for the Council.

In the 1988 fiscal year, with a staff of 51, the Council provided $29.3 million in grants. Of this amount, $20.3 million and $3.8 million were given to over 1,000 organizations and more than 1,800 individuals, respectively.

SUMMARY

SCOPE AND OBJECTIVES

Our objectives were to assess whether:

- grants were properly processed and paid;
- grants were spent by the recipients for the purposes for which they were provided; and
- a satisfactory process was in place to measure and report on the effectiveness of grant programs in meeting their objectives.

CONCLUSIONS AND FINDINGS

APPROVAL AND PAYMENT SYSTEM

On the whole, a good system was in place for the processing and payments of grants and it was operating satisfactorily. However, some areas needed improvement.

- **Conflict of interest guidelines had not been established for the Council's staff.**
- **Consistent conflict of interest procedures were needed for all panels of advisors and jurors.**

MONITORING GRANT PURPOSES

Minimal efforts had been made to ensure that grants provided to individuals were spent for the intended purposes.

MEASUREMENT OF PROGRAM EFFECTIVENESS

A satisfactory process was in place to measure and report on whether grant programs were meeting their objectives and anticipated results.

Comments on Ministry and Crown Agency Audits

BACKGROUND

Grant applications from organizations and individuals are processed by ten grant offices of the Council. Each office administers between two and thirteen programs, for which grant applications are invited.

For the 1988 fiscal year, grants made by the ten offices were:

	$ (millions)
Music	6.2
Theatre	5.3
Literature	2.7
Visual arts	2.4
Dance	2.2
Arts/education	1.4
Film/photography/video	1.3
Franco-Ontarian	.9
Community arts development	.8
Touring and special projects	.9
	24.1

COMMENTARY

APPROVAL AND PAYMENT SYSTEM

Satisfactory Grant System

To ensure fairness, grants are awarded in a three-step selection process:

1. Initial screenings are done by the appropriate offices of the Council to ensure applications meet the eligibility criteria of the particular program.

2. Evaluations and recommendations by grant officers to the Board of the Council are based on artistic assessments carried out mainly by independent advisors or panels of peer adjudicators.

3. Recommended grants are approved or rejected, and the amounts set, by the Board.

Our tests of the selection process and grants paid indicated that a good system was in place and, on the whole, was operating satisfactorily.

Some Areas Needed Improvement

Improvement in the following areas would further strengthen the process:

- To maintain fairness and consistency in the selection process, those involved must be free from any conflict of interest with the applicant. The Council is required by its Memorandum of Understanding with the Ministry of Culture and Communications to have its staff follow the intent of the conflict of interest guidelines issued by Management Board of Cabinet. These guidelines provide clear guidance as to what constitutes a conflict of interest and how possible conflict of interest situations should be disclosed and resolved. However, **the Council had not established any specific conflict of interest procedures for its staff to follow.**

Province of Ontario Council for the Arts

The Canada Council, an organization similar to the Ontario Council, had extensive written conflict of interest procedures for its employees. The procedures require staff to acknowledge, in writing, their awareness of the procedures and to disclose all activities that could give rise to a conflict of interest.

- **Conflict of interest procedures were not prepared for some of the panels of advisors and jurors.** We noted that in one office, with approximately 250 grants totalling $5.6 million, procedures had not been provided to advisors for seven of the eight grants ($1.5 million) that we examined.

- Where conflict of interest procedures were prepared for panels of advisors and jurors, they were not consistent among grant offices. In this regard, panels for three offices were given only general instructions to be aware of any situation which would put them in a conflict of interest. However, panels of another office were specifically instructed not to comment on the merits of any organizations or groups for which they were officers or directors. We noted that an advisor on a panel of this latter office participated in the process, resulting in a grant of $91,500 to an organization of which the advisor was a Board member.

MONITORING GRANT PURPOSES

Verification Procedures Weak

Most operating grants to organizations are provided for the general art objectives of the organizations and, therefore, are not restricted to expenditures for specific purposes. Such grants account for about 15 to 20 per cent of the total revenue of these organizations.

However, grants to individuals are usually provided by the Council for projects with specific purposes, such as developing an outline for a screenplay into a first draft. Accordingly, we concentrated on the procedures used by the Council to ensure grants made to individuals were spent for the intended purposes.

The Council had not established corporate policies and procedures to monitor the use of grants by individuals. However, we were informed that, in some cases, individuals were required to provide information to the Council, such as audited expenditure statements, copies of receipts and written reports on the status of the projects. In other cases, no information was required. **Decisions about the information to be provided were made on a program-by-program basis.**

To determine the extent to which the Council was monitoring grants to individuals, we selected a sample of 17 grants, totalling $192,000, made by five grant offices during the 1987 and 1988 fiscal years.

For ten of these grants, totalling $155,000, the individuals concerned were required to submit reports to the Council on how the money was spent. However, reports were provided for only six grants totalling $67,000. No follow-up was done by the Council to obtain the remaining four reports.

Comments on Ministry and Crown Agency Audits

Furthermore, for the ten grants, **there was no evidence to indicate that the Council exercised any other independent verification, such as having staff visit the individuals or perform other specific procedures to verify information provided, to ensure that the grants were spent for the intended purposes.**

For the remaining seven grants, totalling $37,000, the individuals were not required to submit reports to Council. Again, there was no evidence to indicate that specific verification procedures were performed.

Due to the lack of follow-up by the Council, we selected a sample of ten grants totalling $108,000 and visited the recipients. We were satisfied that these grants had been spent as intended. However, without an ongoing grant monitoring system, grants could be readily used for purposes other than that intended without the knowledge or consent of the Council.

MEASUREMENT OF PROGRAM EFFECTIVENESS

Satisfactory Process in Place

In 1984, the Special Committee for the Arts recommended that the Council undertake a two-year internal restructuring of its priorities and establish a new policy for providing arts funding in the Province in the coming decade.

The result of this recommendation was the commencement, in 1985, of a program-by-program review by the Council of 70 grant programs, totalling approximately $18.3 million in that year. Each program was to be evaluated in terms of whether it was meeting its objectives and anticipated results. The objectives themselves were to be examined to ensure that they continued to be appropriate.

The Council hired consultants and researchers on a contract basis to assist in the completion of the evaluations and to prepare the report on each program. As at July 1988, 34 of the 70 programs, funded at approximately 60 per cent of the 1985 expenditure, had been evaluated. Actions by the Council on recommendations made in the reports have either been made or are in the process of being made.

We concluded that a satisfactory process was in place to evaluate and report on the effectiveness of the Council's grant programs.

RESPONSE

The Chair of the Ontario Arts Council responded to our report on August 30, 1989.

APPROVAL AND PAYMENT SYSTEM

The response indicated that the Council was pleased with the audit finding that, on the whole, a good system was in place and was operating satisfactorily.

The Council agreed with the conflict of interest comments and stated that it has begun work on preparing appropriate conflict of interest guidelines for all parties involved in the granting process.

MONITORING GRANT PURPOSES

"For many years Council has wrestled with the challenge of developing grant monitoring practices appropriate to the circumstances of individual practicing artists. In an effort to ensure that monitoring procedures are relevant to individual arts disciplines, most follow-up procedures at OAC are determined on a program-by-program--rather than corporate--basis, and this has led to a number of apparent inconsistencies.

"Over time, Council has become aware that satisfying the dual objectives of maintaining accountability for public money while accommodating the distinct circumstances of the arts communities it serves would be assisted by developing a broad set of corporate policies dealing with the monitoring of individual grants. These policies would identify what kinds of monitoring procedures are appropriate for what programs, and remove current misunderstandings about procedural inconsistencies.

"Council wishes to make clear that its interest in this area does not stem from any suspicion or evidence of abuse by the artists OAC supports. On the contrary, Council has been consistently impressed by the integrity and professionalism of practicing artists in Ontario, and is pleased to learn that after visiting ten individual grant recipients the Provincial Auditor's staff 'were satisfied that these grants had been spent as intended.'

"... Council is prepared to develop within the next two years a series of written corporate policies dealing with the monitoring of individual grants. These policies will encompass a number of different kinds of monitoring procedures depending on the nature of the program and arts practice concerned."

MEASUREMENT OF PROGRAM EFFECTIVENESS

"Council is proud of the work that has been accomplished in program evaluation over the past four years, and is pleased to note your conclusion that 'a satisfactory process was in place to evaluate and report on the effectiveness of the Council's grant programs.'"

3.17 Newly Established, Terminated and Inactive Crown Agencies

NEWLY ESTABLISHED AGENCIES

Two agencies of the Crown were established during the 1989 fiscal year.

Northern Ontario Heritage Fund Corporation

The Corporation was established with the passage of the Northern Ontario Heritage Fund Corporation Act on June 1, 1988. The objects of the Corporation are:

- to provide advice and make recommendations relating to the growth and diversification of the economy of Northern Ontario;
- to promote and stimulate economic initiatives in Northern Ontario; and

- to commission studies and enter into contracts relating to the two aforementioned objects.

The Corporation will also establish and maintain the Northern Ontario Heritage Fund which will receive $30 million annually over the next 12 years.

Ontario Training Corporation

This Corporation was established on April 27, 1988 by articles of incorporation under the Business Corporations Act, 1982 (Ontario). Its objects are:

- to support the development of sophisticated and competitive workplace training in Ontario;
- to operate a Skills Bank that offers a broad information base on training products and services;
- to invest in the development of training materials which meet the workplace needs of selected sectors in the economy;
- to invest in the development of technologies to be applied in workplace training; and
- to strengthen the skills of trainers and training professionals in the province.

One established Government agency became a Crown controlled corporation during the 1989 fiscal year.

Ottawa Congress Centre

The Centre was originally established as a regional convention centre under the authority of the Regional Municipality of Ottawa-Carleton Act, R.S.O. 1980, Chapter 439. The convention centre is now incorporated as a corporation without share capital following the proclamation, on October 1, 1988, of the Ottawa Congress Centre Act, 1988. The objects of the Centre are to operate, maintain and manage an international-class convention centre facility in a manner that will promote and develop tourism and industry in Ontario.

Initial audits of the three new agencies have been completed for their respective periods of operation to March 31, 1989.

TERMINATED AGENCIES

Corporation of the Improvement District of Dubreuilville
Corporation of the Improvement District of Shedden

Section 11 of the Municipal Act states that: "Upon the application of an improvement district having a population of not less than 500, the Municipal Board may erect the improvement district into a village or a township." The above-mentioned improvement districts have changed their status to that of townships, effective January 1, 1989, and no longer are subject to audit as Crown controlled corporations.

Newly Established, Terminated and Inactive Crown Agencies

Ontario Centre for Automotive Parts Technology

Under a sale agreement effective February 28, 1989, the Crown controlled corporation ceased operating and all contracts were assumed by a private corporation.

Ontario Centre for Farm Machinery and Food Processing Technology

In January 1989 the Province decided to wind down the operations of this Crown controlled corporation by March 31, 1989. All assets of the Centre were transferred to the Province at a nominal value of $1.

Ontario Centre for Microelectronics

Under a sale agreement dated November 2, 1988, the fixed assets of this Crown controlled corporation were transferred to a private corporation. The affairs of the Centre were terminated effective March 31, 1989, when the remaining assets and all rights, obligations and liabilities were transferred to the Province.

INACTIVE AGENCIES

As at March 31, 1989 there were seven inactive Crown agencies.

Agencies of the Crown

The John Graves Simcoe Memorial Foundation
North Pickering Development Corporation
Ontario Deposit Insurance Corporation
Ontario Land Corporation
Ontario Pavilion Expo '86

Crown Controlled Corporations

Ontario Van Pool Organization Limited

CHAPTER

4

PUBLIC ACCOUNTS OF THE PROVINCE

CHAPTER 4
PUBLIC ACCOUNTS OF THE PROVINCE

4.1 Preparation of the Public Accounts

In accordance with the Ministry of Treasury and Economics Act, the three volumes of the Public Accounts are prepared under the direction of the Treasurer. They are delivered to the Lieutenant Governor in Council and are laid before the Assembly not later than the tenth day of the first session held in the following calendar year.

The audit of the Public Accounts consists of an examination of the financial statements of the Province on which the Provincial Auditor expresses an opinion, and a review of the other statements and schedules contained in Volume 1.

Volume 2 contains reproductions of audited financial statements of agencies of the Crown and Crown controlled corporations:

(a) in which the Province has an investment, or
(b) which have borrowed from the Province, or
(c) which have borrowed from others with a guarantee by the Province.

Also included in Volume 2 are the audited financial statements of certain significant operational agencies, which are funded in whole or in part by revenues generated from their operations.

Volume 3 contains details of each ministry's expenditures, such as salaries and wages, employee benefits, travelling expenses and other payments. The expenditures are shown under two main categories: Voted Appropriations and Statutory Appropriations. Although the Office does not express an opinion on Volume 3, the information contained therein is reviewed and any relevant comments would be included in this Chapter of our Annual Report.

4.2 Financial Statements of the Province

The audited financial statements of the Province for the year ended March 31, 1989 are reproduced in the Province's Financial Report and in the Public Accounts, Volume 1. The financial statements and notes disclose, in summary form, the financial activities of the Province for the fiscal year. They also report on the significant aspects of the Province's financial position at the close of the fiscal year.

An integral part of the Province's financial statements is the Summary of Significant Accounting Policies. This Summary appears on pages 1-2 and 1-3 of Volume 1 of the 1988-89 Public Accounts. Such a Summary is included in order to provide the reader with a clear understanding of the principles and methods used to present the financial information contained in the statements. Due to the nature of Government accounting, the accounting policies stated in the Summary have particular importance to a reader who may not be familiar with the differences, some of which are significant, between the accounting policies followed by the private sector and those followed by the Province of Ontario.

As covered in the Summary of Significant Accounting Policies in the Public Accounts, Ontario's financial statements are prepared using the cash basis of accounting. In the case of cash outflows, this basis is modified to allow for an additional 30 days to pay for obligations incurred during the fiscal year just ended.

The Office of the Treasury, responsible for financial statement preparation, maintains that the present cash basis of accounting is precise, well-understood and is no less informative than the accrual basis of accounting. The method used is appropriate to the needs of its two primary user groups, legislators and the general public.

The Office of the Provincial Auditor fully supports this position.

4.3 Provincial Auditor's Opinion

Under the Audit Act, the Provincial Auditor is required to express an opinion as to the fairness of the Province's financial statements in accordance with the accounting policies stated in the Public Accounts. Furthermore, this opinion states whether these policies have been applied consistently with those of the preceding year.

The Provincial Auditor's opinion is stated as follows:

I have examined the statement of financial position of the Province of Ontario as at March 31, 1989 and the statements of financial transactions, revenue, expenditure, other accounts and debt transactions for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly, in accordance with the basis of accounting set out in the Summary of Significant Accounting Policies, the financial position of the Province as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended. Further, in my opinion, except for the change in accounting for cash inflows as explained in Note 10 to the financial statements, these Policies have been applied on a basis consistent with that of the preceding year.

The terms "in my opinion" and "present fairly" in the preceding paragraph indicate that my examination was carried out to provide a high degree of assurance that the financial statements of the Province do not contain material aggregate error. More specifically, I am 99 per cent confident that the total of any errors in the financial statements is less than $75 million.

Toronto, Ontario.
July 20, 1989.

D.F. Archer, F.C.A.,
Provincial Auditor.

In-year Changes Affecting the Deficit

4.4
Advance Payment of Grants and Change in Accounting Policy - Their Effect on the Deficit

Grants

During the latter part of the fiscal year, the Government announced that certain grants, which normally would have been paid during the 1990 fiscal year, would be preflowed to recipients and charged to expenditure for the year ended March 31, 1989.

The advance payment of these grants was authorized by Supplementary Estimates and Management Board Orders. The recipients and nature of these grants, which totalled $823 million, are:

	$ millions
. Municipalities - unconditional grants	413
. School boards - elementary and secondary construction projects	300
. Universities and community colleges - construction and renovation projects	110
TOTAL	823

It should be noted that the Budget for the 1990 fiscal year indicates capital advances to school boards, universities and community colleges will again be preflowed. No such indication is given with regard to unconditional grants to municipalities.

Change in Accounting Policy

As covered in Note 10 of the Province's March 31, 1989 financial statements, the accounting policy for cash inflows was changed. Prior to the 1989 fiscal year, cash inflows comprised both cash received and cash in transit as at March 31 (i.e. cash received in April that was in transit by March 31). Commencing with the year ended March 31, 1989, cash inflows no longer include cash in transit.

Due to this change, cash in transit of $122 million, which previously would have been taken in as revenue in the 1989 fiscal year, will now be treated as 1990 fiscal year revenue.

Effect on Deficit

The preceding actions increased the 1989 deficit as follows:

	$ millions
Grant preflows	823
Cash in transit	122
TOTAL	945

The Public Accounts of the Province reported a deficit of $1.479 billion for the year ended March 31, 1989. Had the preflowing of grants and the change in the accounting policy not taken place, the reported deficit would have been $534 million.

4.5 The Consolidated Revenue Fund - Authorized and Actual Payments

Authorized Payments

In our parliamentary system of government all public moneys received are deposited in a single fund, the Consolidated Revenue Fund. The pooled moneys of the Fund are only made available for expenditure by specific approval and appropriation by the legislative body. Thus the payments out of the Consolidated Revenue Fund are made pursuant to the following approval mechanisms:

Voted Appropriations

Estimates and Supplementary Estimates are formalized annually as Voted Appropriations when the Legislature approves the Supply Act.

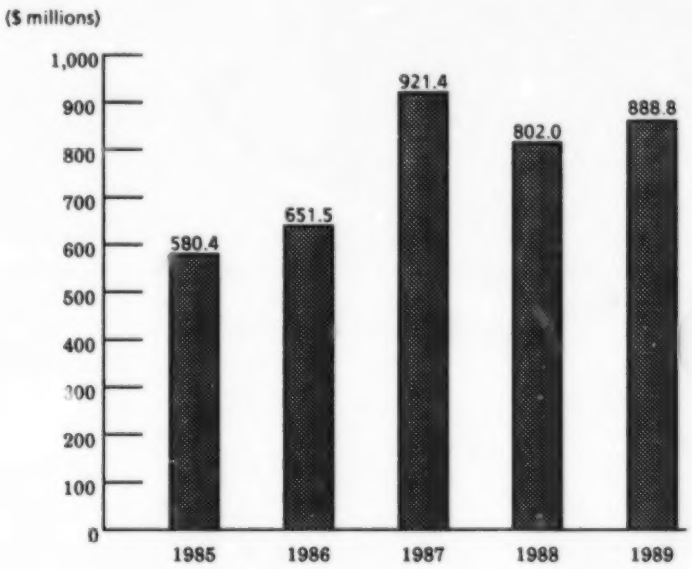
When the Legislature is in session, motions of interim supply adopted by the Legislature authorize payments from appropriations prior to the passage of the Supply Act.

The Supply Act, 1989, covering the year ended March 31, 1989, received Royal Assent on March 2, 1989.

Management Board Orders

Where a Voted Appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, Section 5 of the Management Board of Cabinet Act provides that the Board may make an order authorizing payments to be made against such amounts as it considers proper.

The following chart is a summary of the Management Board Orders issued for the past five years:



By way of additional information, the Management Board Orders for the 1989 fiscal year are summarized by month of issue as follows :

Month of Issue	Number	Authorized $	%
August 1988 to February 1989	18	55,228,000	6.2
March 1989	40	752,141,100	84.6
April 1989	20	81,476,400	9.2
	78	888,845,500	100.0

In accordance with a Standing Order of the Legislative Assembly, the preceding Management Board Orders have been printed in *The Ontario Gazette*, together with explanatory information.

Special Warrants

When the Legislature is not in session, Section 4 of the Management Board of Cabinet Act provides for the issue of a Special Warrant authorizing payment of an amount required to meet an expenditure not foreseen or provided for by the Legislature and which is urgently required for the public good. Special Warrants are authorized by orders in council approved by the Lieutenant Governor on the recommendation of the Government.

No Special Warrants were issued during the 1989 fiscal year.

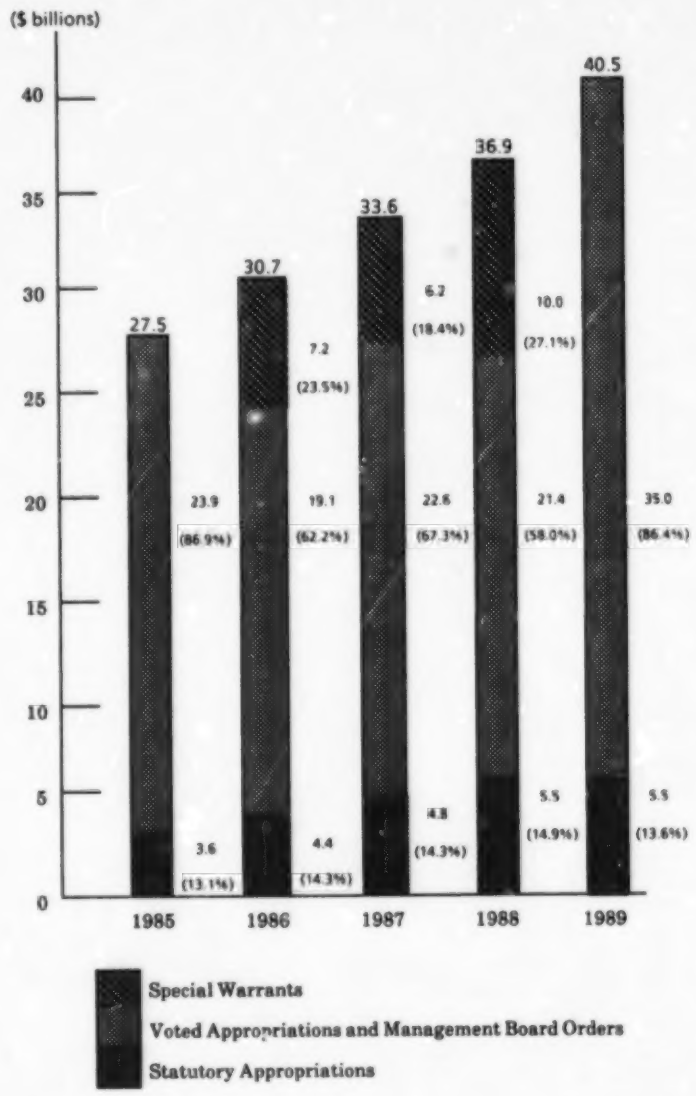
Statutory Appropriations

Payments from Statutory Appropriations represent those where the specific authority to spend money from the Consolidated Revenue Fund is expressly contained in a statute of the Legislature.

Once a statute is enacted by the Legislature no further specific approval of statutory expenditures is required. However, for the information of the Legislature, Statutory Appropriations are noted in the annual Estimates and represent the amount the Government estimates will be spent in accordance with the authority given in the various statutes. Unlike Voted Appropriations, Statutory Appropriations do not require Management Board Orders when spending exceeds the estimated amount.

The Consolidated Revenue Fund

Authorized Payments: Five-year Summary



Actual Payments

The following is a comparative summary (in $ billions) of payments out of the Consolidated Revenue Fund:

	1985	1986	1987	1988	1989
Voted Appropriations					
Estimates	22.9	17.9	21.0	20.0	33.3
Management Board Orders	.5	.6	.9	.8	.9
	23.4	18.5	21.9	20.8	34.2
Statutory Appropriations	3.6	4.4	4.8	5.5	5.5
Special Warrants	-	7.2	6.2	9.9	-
Total Payments	27.0	30.1	32.9	36.2	39.7

Comparison of Authorized and Actual Expenditures

The comparison for the fiscal year ended March 31, 1989 is as follows:

	Authorized ($ millions)	Actual ($ millions)	Actual Under (Over) Authorized ($ millions)
Voted Appropriations			
Estimates	34,104	33,339	765
Management Board Orders	889	859	30
	34,993	34,198	795

As has been the case for the last several years, the total actual payments of $34,198 million slightly exceeded the voted amount of $34,104 million authorized in the Supply Act. Ministries anticipating overexpenditure situations in their programs obtained authorization for the additional spending through Management Board Orders. As a result, expenditures were $795 million less than the total authorized.

A detailed listing of Management Board Orders, showing the amounts authorized and expended, is included as Exhibit 5 of this Report.

Write-off of Uncollectible Accounts

4.6 Write-off of Uncollectible Accounts

Under Section 5 of the Financial Administration Act, the Lieutenant Governor in Council, on the recommendation of the Treasurer, may delete from the accounts any amount due to the Crown deemed uncollectible. The losses deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

Public Accounts Presentation

As explained in the Public Accounts' Summary of Significant Accounting Policies, the assets recorded in the financial statements are those resulting from financial claims on other parties which have been created by cash transactions. Accordingly, loans, advances and investments made by the Province are normally included as assets on the Statement of Financial Position. Accounts receivable, on the other hand, are not so included, since they are not the result of cash transactions.

For the most part, accounts receivable represent amounts owing to the Province under various revenue-producing activities. In addition, certain loans are included in memorandum accounts receivable rather than on the Statement of Financial Position. These loans have one or more of the following characteristics:

- either no specific security or security of limited value;
- no specific repayment terms;
- repayment is conditional only on future uncertain events.

These loans are considered to be in the nature of "recoverable grants" and are treated as expenditure when made. When repayments are received, they are treated as revenue. The major examples of loans in this category are the Ontario Rental Construction Loan Program and the Non-Residential Rental Conversion Pilot Project.

A memorandum listing of the $931.6 million in outstanding accounts receivable as at March 31, 1989 (1988 $786.1 million) is provided on pages 3-24 to 3-27 of Volume 1 of the Public Accounts.

Most write-offs do not affect the Net Debt of the Province as they relate to the memorandum accounts receivable. The major exceptions relate to the write-off of performance and term loans made by the Development Corporations from funds advanced by the Province. The advances are recorded as assets in the Statement of Financial Position. When performance loans are forgiven, or term loans are deemed uncollectible, the Corporations write off the loans, and moneys appropriated by the Legislature for that purpose are used by the Corporations to repay their corresponding advances. The appropriated moneys are treated as expenditures for Public Accounts purposes and thus affect the Province's Net Debt.

1989 Write-offs

A total of $75.9 million was written off in the 1989 fiscal year (1988 $53.9 million), as indicated on page 3-21 of Volume 1 of the Public Accounts. The two major write-offs for 1989 related to the following:

- A $28.2 million write-off by the Ministry of Revenue for unpaid taxes and GAINS overpayments. The major write-offs were as follows:

($ millions)

Corporations Tax Act	19.5
Retail Sales Tax Act	7.0

- A $13.2 million write-off by the Ministry of Industry, Trade and Technology for uncollectible loans made under the Development Corporations Act and by the former Board of Industrial Leadership and Development (BILD). Borrowers had gone bankrupt, into receivership or collection was considered doubtful.

Other write-offs of uncollectible debts included the following:

The Ministry of Financial Institutions wrote off $11.0 million in uncollectible claims and judgements pertaining to the Motor Vehicle Accident Claims Fund. Most of this write-off related to claims/judgements on which no payment had been received for five years, or in cases of bankruptcy, death or an inability to locate the debtor.

The Ministry of Agriculture and Food wrote off $10.4 million in defaulted guaranteed bank loans under the Ontario Farm Adjustment Assistance Program. This represented the balance of guarantees paid to banks after applying any proceeds of liquidation of farmers' assets.

Uncollectible accounts totalling $8.2 million in fines, costs and fees owed to Provincial Courts were written off by the Ministry of the Attorney General. Virtually all of these write-offs involved accounts at least four years old.

The Ministry of Community and Social Services wrote off $1.9 million with respect to overpayments under the Family Benefits Act. The major portion of this write-off related to individuals whose whereabouts were unknown, or who were unable to repay.

The Ministry of Colleges and Universities wrote off $1.8 million for various student support programs. The major portion of this write-off pertained to loans made to students who were unable to pay or whose whereabouts were unknown.

4.7 Transfers Authorized by Board of Internal Economy

When the Board of Internal Economy authorizes the transfer of moneys from one item of the estimates of the Office of the Assembly to another item within the same Vote, the Provincial Auditor is required to make special mention of the transfer(s) in his report.

In respect of the 1988-89 expenditure estimates, the following transfers totalling $796,200 were made within Vote 201:

From:	Item 2	Office of the Clerk	$796,200
To:	Item 3	Sessional Requirements	590,650
	Item 4	Members' Indemnities	205,550

CHAPTER

5

OFFICE OF THE PROVINCIAL AUDITOR

CHAPTER 5
OFFICE OF THE PROVINCIAL AUDITOR

5.1 Independence of the Provincial Auditor

If the opinions and reports presented by the Provincial Auditor are to be prepared without bias or interference, the Office must be granted as much independence as possible. It must also be perceived to be independent by all those whom the Office's work affects, including the general public.

To ensure such independence, the Legislature has enacted a separate act, the Audit Act, setting out the mandate of the Provincial Auditor.

The Provincial Auditor is appointed an officer of the Legislative Assembly, and therefore is not an employee of the Government. The appointment is made by the Lieutenant Governor in Council on the address of the Assembly after consultation with the Chairman of the Standing Committee on Public Accounts. The Auditor may be removed for cause, at any time, by the Lieutenant Governor in Council on the address of the Legislative Assembly.

Administratively, the Office of the Provincial Auditor is distinctly separate from any Government ministry or Crown agency, and its employees are not members of the public service. The Office's resource requirements are subject to approval by the Board of Internal Economy, an all-party legislative committee independent of the Government's administrative process.

The Audit Act requires the Provincial Auditor to present the Office's annual expenditure estimates to the Board for review and approval. The Chairman and Vice-chairman of the Standing Committee on Public Accounts may attend the review of the estimates.

In accordance with Section 28 of the Audit Act, the accounts related to the Office's expenditure for the year ended March 31, 1989 were audited by a firm of chartered accountants. The audited statement of expenditure, together with the report, have been submitted to the Board of Internal Economy and tabled in the Assembly. They are reproduced in Section 5.10.

5.2 Office Goals

The primary goal of the Provincial Auditor is:

- to assist the Legislature in holding the Government and its administrators accountable by reporting to the Legislature on the quality of the administration's stewardship of public funds.

The Provincial Auditor's secondary goal is as follows:

- to assist Deputy Ministers/agency heads in holding their administrations accountable by reporting to them on the quality of the ministries'/agencies' stewardship of public funds.

The Provincial Auditor seeks to achieve these goals by conducting value for money, attest and compliance audits; by presenting individual audit reports to the respective Deputy Ministers/agency heads; and by presenting an Annual Report to the Legislature.

5.3 Audit Responsibilities

Auditing in Government comprises the following areas:

- ministries, including transfer payment recipients;
- agencies of the Crown and Crown controlled corporations; and
- the Province's financial statements.

The participants in the audit process may include internal auditors, public accounting firms and the Provincial Auditor.

Internal Auditors

Internal auditors undertake audits of their respective ministries and agencies on behalf of management. Their responsibilities include the auditing of both financial and management controls.

Financial controls focus on the safeguarding of assets and the provision of essential financial information. Management controls are primarily concerned with value for money and accountability considerations.

In order to avoid duplication of effort, the Office relies, wherever possible, on work that has been done and on reports that have been issued by ministry/agency internal audit branches.

Public Accounting Firms

Public accounting firms are involved in the audits of some agencies of the Crown and all Crown controlled corporations.

A listing of the seven agencies of the Crown audited by public accounting firms for the year ended March 31, 1989 is included as part (ii) of Exhibit 3. The 31 Crown controlled corporations audited by public accounting firms for the year ended March 31, 1989 are listed in Exhibit 4.

Agencies of the Crown

Section 9(2) of the Audit Act stipulates that public accounting firms auditing agencies of the Crown must perform the audit under the direction of, and report to, the Provincial Auditor.

Crown Controlled Corporations

Under Section 9(3) of the Audit Act, public accounting firms auditing Crown controlled corporations must present a copy of their completed audited financial statements to the Provincial Auditor, together with a copy of their findings and recommendations to management (management letter). Currently, our Office reviews the auditors' working papers and other documents on a cyclical basis of at least once in a four-year period and, where necessary, requests explanations and information concerning the nature and extent of the audit work carried out and the results obtained.

Reviews conducted through August 31, 1989 are identified in Exhibit 4.

Audit Activities

The Provincial Auditor

Primary Audit Responsibilities

The primary audit responsibilities of the Provincial Auditor involve conducting value for money, attest and compliance audits at ministries and agencies of the Crown.

MINISTRIES

In conformity with Section 9(1) of the Audit Act, all ministries are subject to legislative audit. In addition to the annual attest audit work in ministries required to enable the Provincial Auditor to express an opinion on the Province's financial statements, audits which are primarily of a value for money nature are also undertaken in ministries. A listing of the ministry audits covered by this Report appears in Exhibit 2.

AGENCIES OF THE CROWN

Section 9(2) of the Audit Act states that where the accounts and financial transactions of an agency of the Crown are not audited by another auditor, the Provincial Auditor is to perform the audit. For the year ended March 31, 1989, the Provincial Auditor had direct audit responsibility for 67 agencies of the Crown. These agencies are listed in part (i) of Exhibit 3.

Additional Audit Responsibilities

Under Section 16 of the Act, the Provincial Auditor is required to examine any matter respecting the Public Accounts if directed by the Standing Committee on Public Accounts.

Section 17 of the Act requires the Provincial Auditor to undertake special assignments requested by either the Assembly, the Standing Committee on Public Accounts (by resolution of the Committee), or by a minister, provided that these special assignments do not take precedence over the Auditor's other duties. The Provincial Auditor can decline an assignment referred by a minister if, in the opinion of the Auditor, it conflicts with other duties.

5.4
Audit Activities

Types of Audits

Audits undertaken by this Office are of three types: value for money, attest and compliance. All such audits are performed in accordance with generally accepted auditing standards, including those established for value for money auditing. A brief description of each of these categories follows.

Value for Money

Value for money audits, covering various Government and Crown agency programs and activities, are designed to assess components of the management function related to economy, efficiency and procedures to measure effectiveness.

Detailed background information concerning the operation of the program or activity being audited is gathered from various internal and external sources. Suitable criteria are developed and discussed with management. "Criteria" may be defined as reasonable and attainable standards of performance and control against which the adequacy of the management function can be assessed. The audit process concludes with objectively obtaining and evaluating evidence to ascertain the degree of correspondence between the matters subject to audit and the criteria.

In conducting value for money audits, it is not part of the Office's mandate to evaluate the effectiveness of programs, or to develop standards to measure efficiency of program delivery. These are ministry/agency management functions. Our responsibility is to assess the extent to which these functions have been carried out by management.

Attest

The Office conducts attest (financial) audits on the annual financial statements of the Province and numerous Crown agencies. These audits are designed to attest to (express a professional opinion on) a set of financial statements. This attestation (or opinion) states whether the operations and financial position of an entity have been fairly presented in compliance with the entity's stated accounting policies, and whether such policies are consistent with those used in the previous year.

Internal controls are methods and procedures developed by management to safeguard assets, and to ensure the accuracy and reliability of accounting data. To rely on internal controls, the auditor must carry out tests to be satisfied that the controls are operating effectively.

In addition, the auditor must obtain other evidence and conduct further testing of the validity of the transactions recorded in, and balances produced by, the accounting system.

As part of our ministry audit activities, or on a Government-wide basis, the Office also periodically conducts financially oriented audits to assess the adequacy and proper functioning of specific internal controls.

Compliance

Compliance audit work is generally carried out in conjunction with our value for money and attest auditing. Compliance auditing assesses is designed to assess whether transactions and other aspects of operations are in compliance with legislative and other requirements.

Compliance audits focus primarily on legislative requirements. Legislation, regulations, orders in council and corporate by-laws may set out directions, conditions and limitations that affect the administration and transactions of ministries and agencies, and with which they must comply.

Compliance audits also relate to administrative requirements. Generally, legislation delegates broad financial and administrative powers to governments, ministries and agencies which in turn may establish specific operative rules and directives.

Audit of Transfer Payments

General

Transfer payments, comprising over 70 per cent of Government expenditures, are payments for which the Province does not directly receive goods or services. The payments may be for specific purposes (such as the funding of school boards and universities), or they may be unconditional (such as per capita grants to municipalities).

Attest/Compliance

The Office's attest and compliance activities include the testing of selected transfer payments for proper authorizations and calculations, and for compliance with legislative and administrative requirements.

Value for Money

Value for money auditing can assist funding ministries/agencies to fulfill of their responsibility of ensuring that transfer payments are well-managed by the recipients, that is, spent with due regard for economy, efficiency and effectiveness. Such audits may be conducted by the recipients' appointed auditors or by the internal audit staff of the funding ministries/agencies.

The Provincial Auditor is not directly involved in this value for money audit process. However, the Provincial Auditor may become indirectly involved when assessing the steps taken by a ministry to satisfy itself that funds provided to organizations are well-managed.

Inspection Audits of Transfer Payment Recipients

Section 13 of the Audit Act enables the Provincial Auditor to perform an inspection audit of a transfer payment recipient. Inspection audits are defined as examinations of accounting records. Although value for money observations may arise as a by-product of inspection audits, the audits are not normally value for money oriented.

The Office conducts inspection audits where circumstances warrant the extension of a ministry or agency audit. In keeping with the trend towards greater Government accountability, in recent years this Office has expanded inspection

audit activity specifically to include the major recipients of transfer payments. Since 1984, the Office has undertaken special reviews of community colleges, universities and hospitals in Ontario.

Inspection audits may also be carried out by ministry internal auditors pursuant to the terms of agreements with the grant recipients.

Scheduling of Audit Activities

Ministry Audits

The Office conducts cyclical audits of major ministry programs with expenditures of over $30 or $40 million. Such audits are primarily value for money and report specifically on the administration of programs and activities by management. All major programs are considered for audit over a five-year period. Although our audits assess activities in the 12 months preceding commencement of the audit, we may extend the period of coverage as circumstances warrant.

In determining which programs to audit each year, the Office considers such factors as total expenditures, impact of the program on the public, diversity and complexity of operations, and the length of time since the last audit by our Office or by the internal audit branch within the relevant ministry. As well, the Office may undertake special assignments at ministries and their agencies as directed by the Legislature.

In addition to these cyclical audits, annual attest audit work is required in the ministries for the expression of an opinion on the Province's financial statements.

Ministry expenditure systems that are processed centrally are audited on a Government-wide basis at least once during a four-year period. Ministry financial systems that are not centralized are audited on a ministry-by-ministry basis, as are the major revenue activities across Government.

Agency Audits

Agency of the Crown audits are conducted on an annual basis as required by legislation. While audit staff are always vigilant in identifying uneconomical practices or inefficiencies during regular attest/compliance audits, the Office also periodically performs more in-depth value for money audits at selected agencies.

Government Policy Not Audited

As the executive and policy decision-making authority of the Government, the Cabinet is ultimately accountable to the Legislature and to the public for the policies and programs of the Government.

The democratic process requires all Government actions to be based on legislative authority and direction. Through questions in the House and reviews of legislation and estimates of expenditures, the Legislature continually monitors and challenges Government policies and programs. Consequently, this Office does not audit Government policies, or information contained in Cabinet

documents used in policy deliberations or decisions. Rather, the Office audits the administration of Government programs and activities as carried out by ministries, agencies of the Crown and central agencies under these policies.

5.5 Ministry and Agency Reports

Reporting Process

At the conclusion of each audit, a draft report is discussed with senior ministry/agency officials and, where necessary, revised to reflect matters raised in the discussion or by senior Office management in the final review. A final report is issued to the Minister and Deputy Minister or, for agencies, to the Board of Directors and the Minister of the associated ministry. In all cases, a copy of the final report is sent to the Secretary of the Management Board of Cabinet. If requested by the ministry or agency, the Office will discuss any aspects of the final report on which it wishes clarification or further information.

Exhibits 2 and 3 provide a listing of the ministry and agency audits conducted since our last Report.

5.6 Additional Reporting Matters

Special Assignments

The Office's additional reporting responsibilities, pursuant to Sections 16 and 17 of the Audit Act, relate to performing special assignments for the Legislative Assembly, the Standing Committee on Public Accounts or a minister of the Crown. At the conclusion of such work the Provincial Auditor reports to the initiator of the assignment.

During the period of audit activity (October 1988 to August 1989) covered by this Report, the Office was asked to undertake two special assignments.

At the request of the Minister of Tourism and Recreation, the Office has undertaken an in-depth review of the decision-making processes at Ontario Place Corporation including, in particular, a review of the Board of Directors' responsibilities and inputs regarding purchasing processes and contract management, decision-making authorities, and overall accountability related to the management of the Corporation's operations. We expect to report to the Minister in the fall of 1989.

Additionally, the Standing Committee on Public Accounts requested the Provincial Auditor to conduct an audit of the process used to award a Ministry of Housing contract to a particular consultant (see Section 6.3 - Motions passed at meetings).

5.7
Annual Report

Reporting Process

Under Section 12 of the Audit Act, the Provincial Auditor is required to report through the Speaker to the Legislative Assembly on the results of his examinations.

The main body of the Annual Report consists of sections extracted from audit reports on ministries and agencies issued during the period to August 31, 1989. These extracts are selected by senior management using criteria which include significance in terms of effect on Government expenditures/revenues; public sensitivity or safety (environment, health care); and management of Government programs (economy, efficiency, effectiveness). Also included is information which is perceived to be of interest to the Legislature/public.

The subsequent steps in the preparation of the Annual Report are as follows:

- Selected report items and relevant ministry/agency responses received up to September 15 only (due to printing deadlines) are included in the Annual Report.
- The Report is tabled in the Assembly and subsequently referred to the Standing Committee on Public Accounts for review.
- Ministry/agency responses received after September 15, pertaining to sections contained in the Report, are forwarded to the Committee.
- The Committee calls upon representatives of the ministries or agencies to discuss selected sections of the Report.

Annual Report Briefing

Each year an Annual Report briefing is held prior to the tabling of the Report. Arrangements are made for two separate and simultaneous lockups: one for members of the Legislature and their research staff, and one for representatives of the media. The lockups are concluded with a news conference, at which time the Provincial Auditor is available to answer the media's questions.

5.8
Public Disclosure of Reports

Annual Report

The Annual Report is normally tabled in the Legislative Assembly by December of each year, at which time it becomes available to the public. The general public may also attend meetings of the Standing Committee on Public Accounts when the Annual Report is being reviewed.

Other Reports

This Office does not present the Legislative Assembly, or a committee of the Assembly, with the following reports:

Public Disclosure of Reports

- any individual audit reports issued at the conclusion of each ministry or agency audit;

- reports to management by the auditors of agencies of the Crown and Crown controlled corporations; or

- reports on our special assignments for a Minister.

However, the Standing Committee on Public Accounts, or any other committee of the Legislature, may, by resolution, request that such audit reports be made available if they are deemed essential or beneficial in the pursuit of the committee's appointed duties. As soon as a report is laid before a committee it becomes a public document.

Draft reports for ministries and agencies are considered to be an integral part of the audit working papers and, according to Section 19 of the Audit Act, are not required to be laid before the Legislative Assembly or any of its committees.

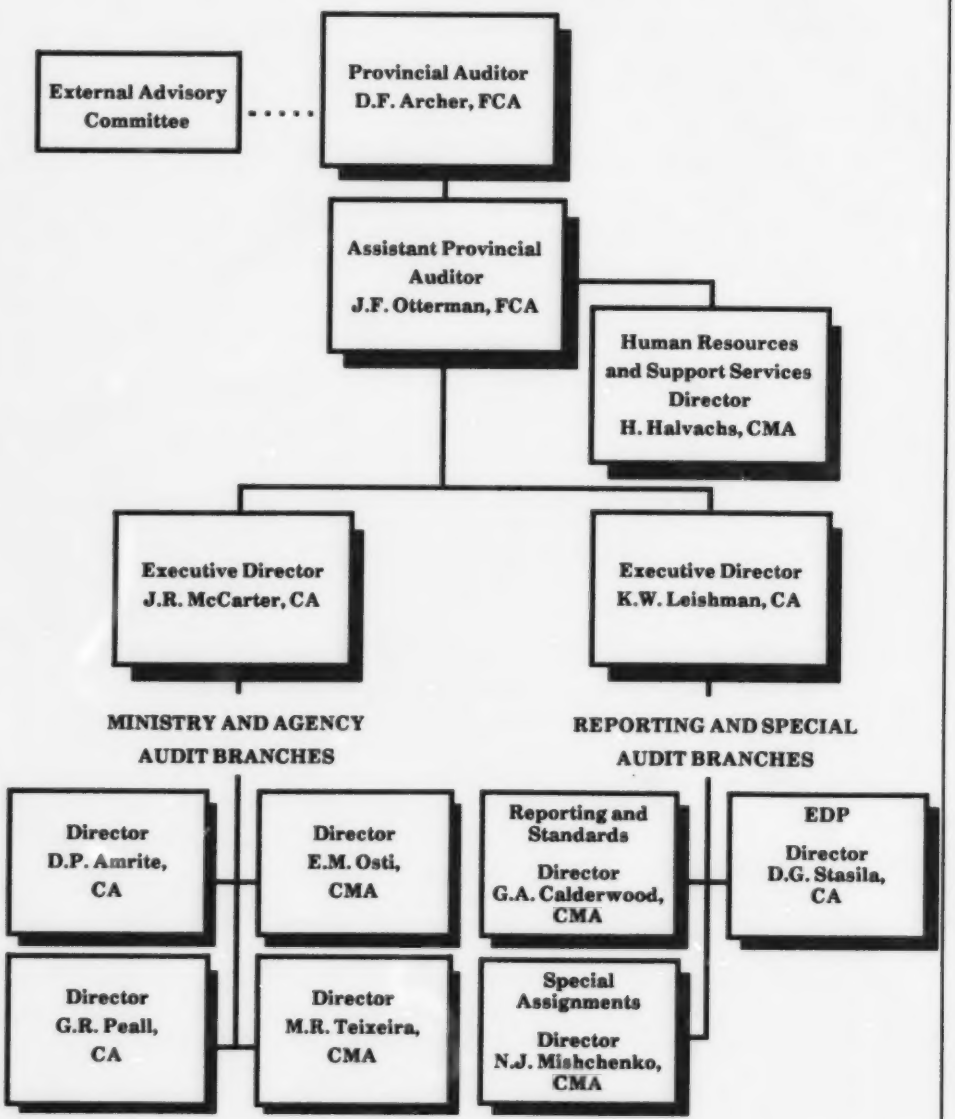
Reports on special assignments conducted on behalf of the Legislative Assembly, or a committee of the Assembly, become public documents when they are presented.

This Office declines requests from the public and media representatives for access to our issued audit reports. In this regard, it should be noted that the access provisions of the Freedom of Information and Protection of Privacy Act, 1987, do not apply to the Office of the Provincial Auditor. The Office has not been designated as an institution to which the Act applies.

Office of the Provincial Auditor

5.9 Office Organization and Personnel

The Office is organized as follows:


External Advisory Committee
Provincial Auditor D.F. Archer, FCA
Assistant Provincial Auditor J.F. Otterman, FCA
Human Resources and Support Services Director H. Halvachs, CMA
Executive Director J.R. McCarter, CA
Executive Director K.W. Leishman, CA
MINISTRY AND AGENCY AUDIT BRANCHES
REPORTING AND SPECIAL AUDIT BRANCHES
Director D.P. Amrite, CA
Director E.M. Osti, CMA
Director G.R. Peall, CA
Director M.R. Teixeira, CMA
Reporting and Standards Director G.A. Calderwood, CMA
EDP Director D.G. Stasila, CA
Special Assignments Director N.J. Mishchenko, CMA

Ministry and Agency Audit Branches

These four audit branches are responsible for the cyclical audits of ministries and annual audits of agencies of the Crown.

Reporting and Standards Branch

The responsibilities of this branch include the audit of the Province's financial statements, the preparation of the Annual Report, and the development and maintenance of auditing policies and standards.

EDP Branch

This branch's main responsibilities are EDP audits, including the provision of technical support and training to other branches.

Special Assignments Branch

This branch's main responsibilities are Office-initiated audits and reviews of Government-wide issues and systems, and special assignments requested by the Standing Committee on Public Accounts and by Ministers.

Advisory Committee

An external Advisory Committee has been established by the Provincial Auditor to strengthen the function of the Office. The Committee's terms of reference include assessment of the Annual Report and other publicly issued reports, periodic review of the Office's audit approach, analysis of the Office profile, and advice relating to sensitive audit issues. The Committee meets once or twice a year on the call of the Auditor.

The Committee comprises five members, all of whom combine the independence of current association with the private sector with extensive knowledge of the parliamentary system and the function of Government. At the present time, the members of the Advisory Committee are:

Rendall Dick :	former Deputy Attorney General and Deputy Treasurer of Ontario;
Patrick Reid :	former Labour/Liberal MPP; past Chairman of the Public Accounts Committee;
Jack Stokes :	former New Democratic MPP and Speaker of the Legislative Assembly;
George Taylor :	former Conservative MPP and member of the Public Accounts Committee; former Solicitor General of Ontario;
Adam Zimmerman :	Chairman, MacMillan Bloedel; Chairman and Chief Executive Officer, Noranda Forest Inc.

Office of the Provincial Auditor

Personnel

Office staff at August 31, 1989 were as follows:

Executive and Directors	12
Managers	15
Supervisors	20
Auditors	15
Auditor Trainees	37
Human Resources and Support Services	10
Total Staff	**109**

5.10
Office Expenditure

The following is the 1989 audited Statement of Expenditure for the Office.

Office of the Provincial Auditor
Statement of Expenditure
year ended March 31, 1989

	1989		1988	
	Actual $	Estimates $	Actual $	Estimates $
Salaries and wages	4,318,294	4,730,000	4,273,474	4,365,700
Employee benefits	561,052	725,000	611,978	790,500
Transportation and communication	240,226	233,000	226,220	219,000
Services	1,035,720	1,084,000	952,912	1,011,000
Supplies and equipment	123,524	105,000	201,406	178,000
Transfer payment - Canadian Comprehensive Auditing Foundation	46,000	46,000	44,100	44,100
	6,324,816	6,923,000	6,310,090	6,608,300
Provincial Auditor's salary	106,602	95,200	96,511	91,500
	6,431,418	7,018,200	6,406,601	6,699,800

Canadian Conference of Legislative Auditors

Notes:

1. Accounting Policy

The statement of expenditure has been prepared using the basis of accounting followed by the Province of Ontario with respect to the Public Accounts. This basis uses the "cash flow" principle of accounting modified to allow an additional thirty days to pay for goods or services pertaining to the fiscal year just ended.

2. Estimates

The estimates shown above are those voted and approved, including supplementary estimates where applicable.

3. Comparative Figures

The comparative figures for the year ended March 31, 1988 were reported on by another firm of chartered accountants.

Auditors' Report

TO THE BOARD OF INTERNAL ECONOMY
THE PROVINCE OF ONTARIO

We have examined the statement of expenditure of the Office of the Provincial Auditor for the year ended March 31, 1989. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, this statement presents fairly the expenditures of the Office of the Provincial Auditor for the year ended March 31, 1989 in accordance with the accounting policy referred to in note 1 to the statement applied on a basis consistent with that of the preceding year.

Toronto, Ontario
July 7, 1989

ALLEN, MILES, FOX & JOHNSTON
CHARTERED ACCOUNTANTS

5.11
Canadian Conference of Legislative Auditors

The seventeenth annual meeting of the Canadian Conference of Legislative Auditors was held in Edmonton from July 9 to 12, 1989. This gathering, bringing together legislative auditors from Canada and the provinces, provides a useful forum for sharing ideas and exchanging information important to the legislative auditing community.

This year's conference, attended by the Provincial Auditor and the Assistant Provincial Auditor, covered such topics as:

- accounting issues relating to the reporting entity, pensions and financial statement presentation for governments;
- audit of the privatization process; and
- materiality and confidence levels for financial statement audits.

CHAPTER

6

THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAPTER 6
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

6.1 Appointment and Composition of the Committee

The Standing Orders of the Legislative Assembly provide for the appointment of an all-party Standing Committee on Public Accounts for each Session of Parliament.

The membership of the Committee is approximately proportional to the respective party membership in the Legislature. All members are entitled to vote on motions, with the exception of the Chairman whose vote is restricted to the breaking of a tie.

The Standing Committee on Public Accounts, appointed on November 23, 1987, continued until the First Session of the Thirty-Fourth Parliament was prorogued on March 2, 1989. A new Committee was appointed on May 8, 1989 soon after the commencement of the Second Session of the Thirty-Fourth Parliament. Membership on the Committee consists of six Liberals, three New Democrats and two Progressive Conservatives for a total of 11 members. The Chairman of the Committee is a member of the Official Opposition Party (New Democratic).

6.2 Role of the Committee

The Committee is empowered to review and report to the House its observations, opinions and recommendations on the Report of the Provincial Auditor and the Public Accounts. These documents stand permanently referred to the Committee as soon as they are tabled. The Committee also reviews matters referred to it by a resolution of the Assembly.

In essence, the role of the Committee, on behalf of Parliament and ultimately the public, is to hold the Cabinet and Government bureaucracy accountable for their administration.

In order to fulfill this role, the Committee examines, assesses and reports to the Legislature on a number of issues, including the economy and efficiency of operations; the effectiveness of programs in achieving objectives; controls over assets, expenditures and the assessment and collection of revenues; and, the reliability and appropriateness of information in the Public Accounts.

The Committee also has the responsibility to annually review the Estimates of the Office of the Provincial Auditor.

Provincial Auditor's Role in the Process

The Provincial Auditor assists the Committee by presenting information that is relevant to the preceding issues. This enables the members to deal intelligently and constructively with them.

Additionally, the Provincial Auditor and senior staff attend Committee meetings to assist members by answering questions and clarifying financial and management matters under review.

6.3 Committee Procedures and Operations

General

The Committee meets every Thursday morning when the Legislature is in session. For the past several years it has also met more frequently during the summer and winter when the Legislature has not been in session. All meetings are open to the public with the exception of those dealing with the setting of the Committee's agenda and the preparation of Committee reports.

Most Committee meetings deal with those aspects of the operations of Government ministries and Crown agencies related to assessing the legality and prudence of Government expenditures and the establishment of proper administrative policies and procedures.

At meetings dealing with ministry operations, a Deputy Minister, usually accompanied by senior ministry officials, answers questions raised by Committee members. Since the Committee is concerned with administrative, rather than policy matters, Ministers rarely attend. When the Committee is reviewing Crown agencies, the Chief Executive Officer, and at times, the Chairman of the Board attend the meetings. They are usually accompanied by senior agency staff.

Meetings Held

From October 1988 to August 1989 the Committee held 19 public meetings, which included reviews of various sections of the 1987 and 1988 Auditor's Reports as well as a review of the 1988-89 Estimates of the Office of the Provincial Auditor. Additionally, a number of in camera meetings were held, mainly to finalize Committee Reports to the Legislature.

Motions Passed at Meetings

Consulting Contract - Ministry of Housing

On June 29, 1989, the Committee passed a motion requesting the Provincial Auditor to immediately conduct an audit of the process used to award a Ministry of Housing contract to a particular consultant.

Tabling of Audit Report on Ontario Place Corporation Special Assignment

On July 6, 1989, the Committee passed a motion effectively requesting the Provincial Auditor to table the Ontario Place Corporation audit report with the Committee at the same time as it is submitted to the Minister of Tourism and Recreation.

Other Committee Activities

Innovation in Committee Procedures and Operations

Following a review of its counterpart operations in Ottawa and Washington, D.C. in March 1988, the Committee adopted some procedural approaches to its work which are intended to increase its effectiveness and strengthen the accountability cycle. Major innovations include:

- in-depth briefings and preparation;
- more frequent reports to the Legislature; and
- increased follow-up of Committee recommendations.

In addition, the Committee has adopted a more hands-on approach in its examinations and investigations. The Committee has visited the Hamilton, Thunder Bay and North Bay Psychiatric Hospitals, the Queen Street Mental Health Centre, and firefighting facilities in Thunder Bay, North Bay and Dryden, in connection with report sections in the Provincial Auditor's 1987 and 1988 Annual Reports.

6.4 Other Committee Activities

Canadian Council of Public Accounts Committees

The eleventh annual meeting of the Council was held in Edmonton, from July 9 to 12, 1989. These annual meetings, normally attended by Public Accounts Committee members from all the provinces and the federal government, provide a valuable forum for the exchange of ideas and information.

The meeting included a round table discussion of each delegation's Public Accounts Committee activities during the past year, presentation of case studies, and a joint session with the Conference of Legislative Auditors.

6.5 Reports of the Committee

General

As noted above, the Committee has adopted the practice of more frequent reporting to the Legislature. It is felt that this approach has the following advantages: it allows reports to be finalized while still fresh in the minds of Committee members; the Committee's recommendations on actions to be taken by the ministry/agency can be monitored and followed up on a more timely basis; and, by making its work public on an issue-by-issue basis, the enhanced media coverage increases the public awareness of the Committee's role in the accountability process.

Each report is termed an Interim Report and consists of a précis of the information reviewed by the Committee during its meetings, together with a summary of comments and recommendations. The Committee also issues additional Reports on an annual or biennial basis which include summaries of previously issued Interim Reports. All Reports are available through the Clerk of the Committee, thus affording public access to full details of Committee deliberations.

Completed Reports

The Committee issued eight Interim Reports and a biennial Report between May 1988 and July 1989. The Reports related to various sections of our 1987 and 1988 Annual Reports, and contained recommendations related to the following:

- Ministry of Health
  - Procedures and controls in the Ontario Health Insurance Program (OHIP)
  - Staffing, facilities and operations of psychiatric hospitals
- Ministry of the Environment
  - Pollution enforcement procedures
  - Administrative practices
- Liquor Control Board of Ontario
  - Inventory management, staffing and Durham warehouse operations
- Ontario Housing Corporation
  - Cost overruns and other matters
- Ministry Internal Audit Operations
  - Planning, audit practices, staffing
- Ministry of Correctional Services
  - Monitoring of costs, staffing and program effectiveness
- Ministry of Northern Development and Mines
  - Geological project controls and the Mining Recorder function
- Ministry of Skills Development
  - FUTURES (Youth Opportunities) Program funding, program delivery and effectiveness
- Ministry of the Solicitor General
  - OPP Telecommunications Project and staffing of coroner posts
- The St. Lawrence Parks Commission
  - Potential savings in administration costs
- Ministry of Revenue
  - Tax collection by Motor Fuels and Tobacco Tax Branch
- Ministry of Community and Social Services
  - General Welfare Assistance Program monitoring controls
- Ministry of Natural Resources
  - Prevention, detection and control of forest fires

The Clerk of the Committee is responsible for following up the actions of the ministries/agencies on the Committee's recommendations. Our Office liaises with the Clerk to ascertain the status of the recommendations, and would bring any significant matters arising therefrom to the attention of the Legislature in our Annual Reports.

EXHIBITS

Summary of Audits and Reviews Performed:

1. - **Government-wide Matters and Special Reviews.**
2. - **Ministry Audits.**
3. - **Agency of the Crown Audits, year ended March 31, 1989.**
4. - **Crown Controlled Corporations, year ended March 31, 1989.**
5. **Management Board Orders - Amounts Authorized and Expended Thereunder, year ended March 31, 1989.**
6. **Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports.**

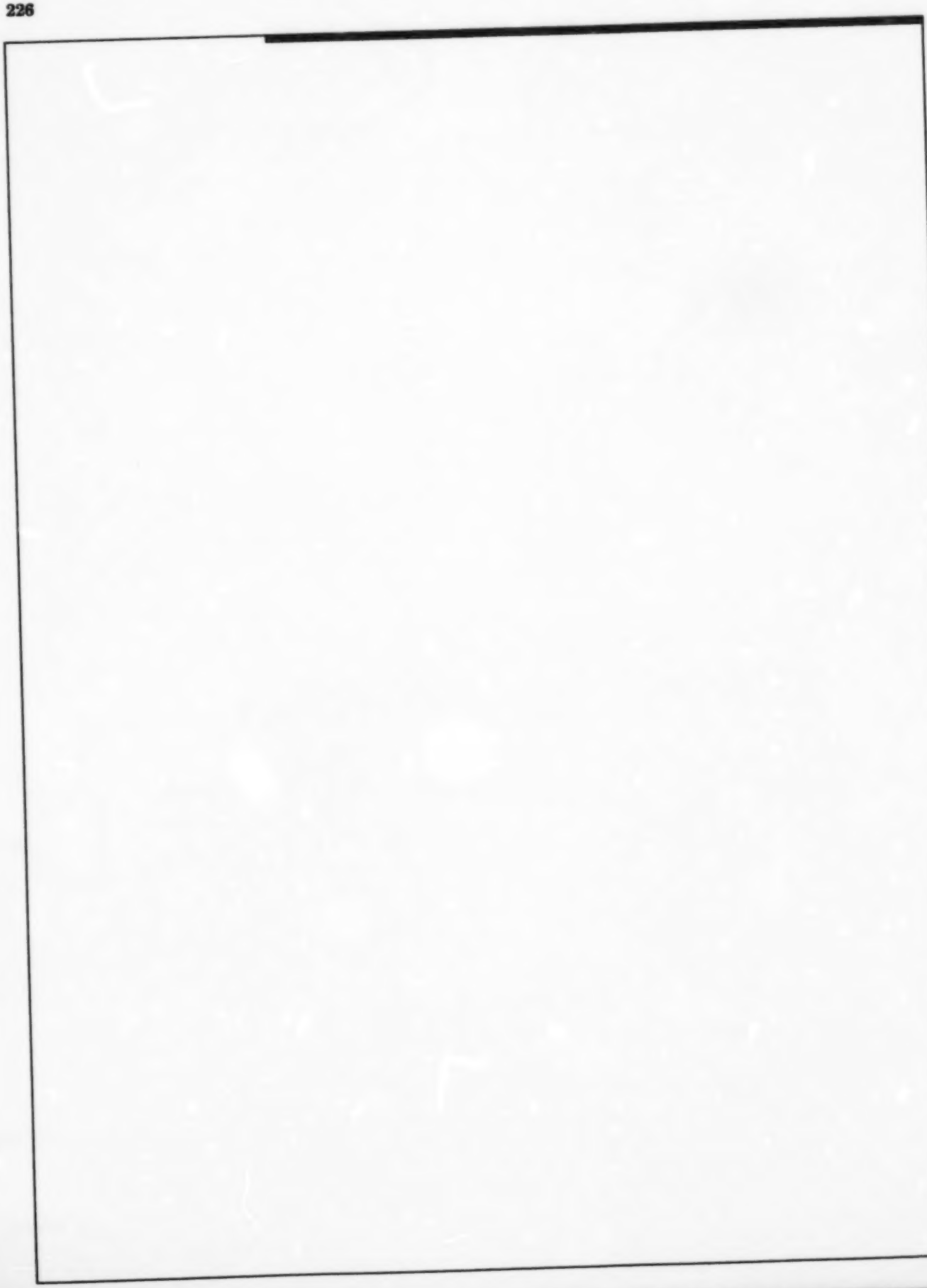


EXHIBIT 1

Government-wide Matters and Special Reviews

GOVERNMENT-WIDE MATTERS

* . Accountability for Transfer Payments
* . Government Consulting Services Expenditures
  - Colleges and Universities
  - Community and Social Services
  - Education
  - Environment
  - Government Services
  - Housing
  - Natural Resources
  - Revenue
  - Transportation
* . Government Overtime Costs
  - Correctional Services
  - Health
  - Natural Resources
  - Solicitor General
  - Transportation
* . Government Travel Expenses
  - Agriculture and Food
  - Attorney General
  - Citizenship
  - Community and Social Services
  - Correctional Services
  - Culture and Communications
  - Environment
  - Labour
  - Natural Resources
  - Revenue
  - Solicitor General
  - Transportation

REVIEW FOR MINISTER OF THE CROWN

. Industry, Trade and Technology - IDEA Corporation

INSPECTION AUDITS

* . Guelph University, Ministry of Colleges and Universities
* . York-Finch Hospital, Ministry of Health

*These matters appear in Chapter 2 of this Report.

EXHIBIT 2

Ministry Audits

Attorney General

* . Administration of Justice Activity

- District Courts

Community and Social Services

. Children's Services Activity

* - Children's Aid Societies

* - Child Care

Correctional Services

* . Community Services and Ontario Board of Parole Activities

- Probation and Parole Services

Government Services

. Realty Services Program - Program Delivery and Capital Expenditures Activities

* - Provision of Leased Accommodation

* - Repairs, Operation and Maintenance of Government - owned Accommodation

Health

* . Emergency Health Services Activity

Management Board of Cabinet

* . Human Resources Secretariat

. Management Board Secretariat

Natural Resources

* . Fisheries Management Activity

* . Wildlife Management Activity

Revenue

* . Retail Sales Tax

. Revenue Computer Centre, EDP Audit

Transportation

. Safety and Regulation Program

* - Driver Examination, Inspection and Enforcement

* - Driver and Vehicle Registration, EDP Audit

* These matters appear in Chapter 3 of this Report.

EXHIBIT 3

Agency of the Crown Audits
year ended March 31, 1989

(i) Agencies whose accounts are audited by the Provincial Auditor.

* Accountant of the Supreme Court of Ontario, The
Agricultural Rehabilitation and Development Directorate of Ontario
Alcoholism and Drug Addiction Research Foundation
* Algonquin Forestry Authority
Centennial Centre of Science and Technology, The
Commission on Election Finances
* Crop Insurance Commission of Ontario, The
* Eastern Ontario Development Corporation
Egg Fund Board (December 31)
Election Act, 1984, The, - Election Fees and Expenses
Environmental Compensation Corporation
* Farm Income Stabilization Commission of Ontario
Fund for Milk and Cream Producers, The, - The Ontario Farm Products Marketing Commission
Grain Financial Protection Board
IDEA Information Technology Fund Inc.
IDEA Innovation Fund Inc.
IDEA Research Investment Fund Inc.
* Innovation Ontario Corporation
Legal Aid Fund, Law Society of Upper Canada, The
* Liquor Control Board of Ontario
Liquor Licence Board of Ontario
Live Stock Financial Protection Board, The
McMichael Canadian Collection, The
* Niagara Parks Commission, The (October 31)
* Northern Ontario Development Corporation
Northern Ontario Heritage Fund Corporation
Office of the Assembly
Office of the Information and Privacy Commissioner
Office of the Official Guardian
Office of the Ombudsman
Ontario Agricultural Museum
Ontario Cancer Treatment and Research Foundation, The
* Ontario Development Corporation
Ontario Educational Communications Authority, The
Ontario Film Development Corporation, The
Ontario Food Terminal Board
Ontario Heritage Foundation, The
* Ontario Housing Corporation (December 31)
Ontario Industrial Training Institute
* Ontario International Corporation
* Ontario Junior Farmer Establishment Loan Corporation, The
* Ontario Lottery Corporation
* Ontario Mortgage Corporation
* Ontario Municipal Improvement Corporation, The
* Ontario Northland Transportation Commission (December 31)
* Ontario Place Corporation
Ontario Racing Commission

Exhibit 3

Ontario Stock Yards Board (June 30)
Ontario Telephone Development Corporation, The
Ontario Training Corporation
* Ontario Waste Management Corporation
Owen Sound Transportation Company Limited, The (December 31)
Pension Commission of Ontario
Potato Financial Protection Board
Processing-Vegetable Financial Protection Board
Province of Ontario Council for the Arts
* Provincial Judges Benefits Fund
Public Complaints Commissioner
* Public Service Superannuation Fund
* Public Trustee of the Province of Ontario, The
Rent Review Hearings Board
Soldiers' Aid Commission
St. Clair Parkway Commission, The (December 31)
St. Lawrence Parks Commission, The
Star Transfer Limited (December 31)
* Superannuation Adjustment Fund
Tobacco Producers' Assistance Fund

(ii) Agencies whose accounts are audited by another auditor under the direction of the Provincial Auditor.

Board of Community Mental Health Clinic, Guelph
Clarke Institute of Psychiatry
Ontario Cancer Institute, The
Ontario Mental Health Foundation
* Teachers' Superannuation Fund (December 31)
* Toronto Area Transit Operating Authority
* Workers' Compensation Board (December 31)

NOTE: Dates in parentheses indicate fiscal periods ending on a date other than March 31.

* Audited financial statements reproduced in 1988-89 Public Accounts, the majority appearing in Volume 2.

EXHIBIT 4

Crown Controlled Corporations
year ended March 31, 1989

Corporations whose accounts are audited by an auditor other than the Provincial Auditor, with full access by the Provincial Auditor to audit reports, working papers and other related documents.

		Board of Funeral Services
		Board of Governors of The Ontario Institute for Studies in Education, The
		Board of Ophthalmic Dispensers
		Board of Radiological Technicians
†		Corporation of the Improvement District of Cameron
		Corporation of the Improvement District of Gauthier
		Corporation of the Improvement District of Kingsford
		Corporation of the Improvement District of Matachewan
		Governing Board of Dental Technicians
		Governing Board of Denture Therapists
†		Metropolitan Toronto Convention Centre Corporation
		Moosonee Development Area Board
		Ontario Board of Examiners in Psychology
	*	Ontario Centre for Advanced Manufacturing
	*	Ontario Centre for Resource Machinery Technology
†		Ontario Cream Producers' Marketing Board
†	*	Ontario Energy Corporation
		Ontario Historical Studies Series
	*	Ontario Hydro
		Ontario Milk Marketing Board, The
†		Ontario Municipal Employees Retirement Board
		Ontario Share and Deposit Insurance Corporation
		Ontario Transportation Development Corporation, The
		Ontario Trillium Foundation
†		Ortech Corporation
†		Ottawa Congress Centre
		Royal Ontario Museum, The
		Science North
	*	Stadium Corporation of Ontario Limited
		Thunder Bay Ski Jumps Limited
†	*	Urban Transportation Development Corporation Limited

* Audited financial statements reproduced in 1988-89 Public Accounts, the majority appearing in Volume 2.

† Audit reports and working paper files reviewed by the Office during 1989.

EXHIBIT 5

Management Board Orders
Amounts Authorized and Expended Thereunder
year ended March 31, 1989

Ministry	Date of Order	Authorized	Expended
		$	$
Agriculture and Food	Feb. 13, 1989	2,304,900	910,295
	Mar. 7, 1989	3,870,900	3,323,451
	Apr. 11, 1989	7,151,100	6,407,316
		13,326,900	10,641,062
Attorney General	Jan. 31, 1989	6,850,200	6,850,200
	Mar. 2, 1989	8,780,500	7,812,860
	Mar. 21, 1989	4,285,700	3,437,445
		19,916,400	18,100,505
Citizenship	Mar. 7, 1989	475,700	475,700
	Apr. 4, 1989	3,361,200	3,019,097
		3,836,900	3,494,797
Colleges and Universities	Jan. 17, 1989	171,900	39,718
	Mar. 7, 1989	477,100	172,226
	Mar. 29, 1989	108,800,000	108,556,806
	Apr. 4, 1989	2,286,400	1,805,757
		111,735,400	110,574,507
Community and Social Services	Mar. 7, 1989	63,546,600	56,047,064
	Apr. 4, 1989	12,447,400	11,206,108
		75,994,000	67,253,172
Consumer and Commercial Relations	Mar. 7, 1989	2,940,700	2,395,344
	Apr. 19, 1989	199,000	193,116
		3,139,700	2,588,460
Correctional Services	Mar. 2, and Mar. 21, 1989	17,645,100	17,523,293

Management Board Orders

Ministry	Date of Order	Authorized	Expended
		$	$
Culture and Communications	Jan. 17, 1989	242,400	242,400
	Feb. 21, 1989	548,000	506,721
	Mar. 2, 1989	164,700	124,826
	Mar. 7, 1989	1,751,100	1,737,956
	Mar. 21, 1989	2,000,300	2,009,032
	Apr. 4, 1989	680,000	665,992
		5,466,500	5,286,927
Office for Disabled Persons	Mar. 7, 1989	7,600	-
Education	Jan. 24, 1989	818,900	818,900
	Mar. 2, 1989	2,249,000	2,201,313
	Mar. 21, 1989	2,337,100	1,843,337
	Apr. 4, 1989	630,000	628,726
		6,035,000	5,492,276
Energy	Jan. 24, 1989	1,567,900	1,332,964
	Mar. 7, 1989	678,000	590,834
	Mar. 21, 1989	275,000	266,748
		2,520,900	2,190,546
Environment	Jan. 17, 1989	1,807,000	1,807,000
	Mar. 21, 1989	4,388,400	4,145,111
	Apr. 4, 1989	2,291,700	2,290,384
		8,487,100	8,242,495
Financial Institutions	Mar. 7, 1989	1,557,500	1,543,778
	Apr. 19, 1989	305,000	301,224
		1,862,500	1,845,002
Government Services	Mar. 21, 1989	8,663,700	7,450,445
Health	Mar. 2, 1989	774,500	596,279
	Mar. 7, 1989	2,300,100	2,298,029
	Mar. 21, 1989	40,471,600	40,319,286
	Apr. 4, 1989	11,785,100	9,716,036
	Apr. 18, 1989	10,470,700	9,128,629
		65,802,000	62,058,259

Exhibit 5

Ministry	Date of Order	Authorized	Expended
		$	$
Housing	Apr. 11, 1989	2,902,600	2,151,128
Industry, Trade and Technology	Mar. 7, 1989	3,936,800	3,629,569
	Apr. 11, 1989	745,000	726,858
		4,681,800	4,356,427
Intergovernmental Affairs	Feb. 13, 1989	305,700	153,009
	Mar. 2, 1989	780,000	638,199
		1,085,700	791,208
Labour	Jan. 24, 1989	555,000	555,000
	Jan. 31, 1989	248,900	248,175
	Mar. 7, 1989	2,735,100	2,192,380
	Mar. 21, 1989	364,600	359,674
		3,903,600	3,355,229
Office of the Lieutenant Governor	Mar. 21, 1989	25,400	25,295
Management Board of Cabinet	Jan. 17, 1989	1,500,000	1,484,578
	Feb. 21, 1989	138,000	137,844
	Apr. 4, 1989	2,204,700	1,527,912
		3,842,700	3,150,334
Municipal Affairs	Mar. 29, 1989	410,950,000	410,700,287
	Apr. 11, 1989	764,800	642,971
		411,714,800	411,343,258
Natural Resources	Aug. 9, 1988	15,000,000	15,000,000
	Aug. 23, 1988	20,000,000	20,000,000
	Oct. 25, 1988	2,000,000	2,000,000
	Mar. 7, 1989	1,868,100	1,801,138
	Apr. 4, 1989	12,341,900	11,630,036
		51,210,000	50,431,174

Management Board Orders

Ministry	Date of Order	Authorized	Expended
		$	$
Northern Development and Mines	Apr. 4, 1989	146,500	96,800
Office of the Premier	Mar. 7, 1989	120,000	66,619
Revenue	Feb. 13, 1989	269,200	85,169
	Mar. 2, 1989	7,113,600	6,746,695
	Mar. 21, 1989	766,100	650,888
		8,148,900	7,482,752
Office Responsible for Senior Citizens Affairs	Apr. 11, 1989	51,700	18,472
Skills Development	Mar. 21, 1989	376,000	247,404
Solicitor General	Jan. 31, 1989	900,000	900,000
	Mar. 2, 1989	20,128,400	17,348,056
	Mar. 21, 1989	5,348,100	5,285,356
		26,376,500	23,533,412
Tourism and Recreation	Mar. 7, 1989	940,000	940,000
	Mar. 21, 1989	1,171,700	1,171,162
		2,111,700	2,111,162
Transportation	Mar. 21, 1989	15,655,500	15,641,717
	Apr. 4, 1989	10,703,300	10,524,818
		26,358,800	26,166,535
Treasury and Economics	Mar. 21, 1989	1,340,800	992,397
Office Responsible for Women's Issues	Apr. 11, 1989	8,300	1,236
Total Management Board Orders		888,845,500	859,062,588

EXHIBIT 6

Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports
(See Note)

Report	Section	Description/Status
		RESOLVED AS AT DATE OF PREPARATION OF 1989 AUDITOR'S REPORT
		MINISTRIES
		Ministry of Agriculture and Food
1987	4.2	Good administrative procedures but inadequate effectiveness indicators, Farm Interest Rate Reduction Program. - In process of implementation.
		Ministry of Consumer and Commercial Relations
1988	3.4	Improved security needed, Vital Statistics Information System. - Implemented.
		Ministry of Correctional Services
1987	4.5	Improved administration required, Institutional Services Activity. - In process of implementation.
		Ministry of Education
1983	3.7	Deficiencies in accountability process re General Legislative Grants. - In process of implementation. Is being addressed through the accountability framework initiative outlined in Section 2.2.
1987	4.6	Better effectiveness indicators needed, Blind, Deaf and Demonstration Schools Activity. - Partially implemented.
1988	3.6	Development and implementation concerns, Computers in Education Initiative. - In process of implementation.
		Ministry of Government Services
1985	3.12	More economical and efficient use of accommodation warranted. - See Section 3.7 of this Report for the current status of the implementation of corrective actions.

Status of Previous Annual Report Recommendations

Report	Section	Description/Status
1988	3.8	Weak management practices, Computer and Telecommunication Services Program. - In process of implementation.
		Ministry of Health
1987	4.9	Problems in mental health care. - In process of implementation.
		Ministry of Revenue
1988	3.12	Concerns over tax collection, Motor Fuels and Tobacco Tax Branch. - In process of implementation.
		CROWN AGENCIES
		Liquor Control Board of Ontario
1988	4.2	Operational improvements required. - Substantially implemented.
		The Ontario Educational Communications Authority
1988	4.4	Non-compliance with purchasing and project evaluation policies. - Substantially implemented.
		The Public Trustee of the Province of Ontario
1988	4.6	Administrative improvements required. - In process of implementation.

TO BE REVIEWED IN SUBSEQUENT YEARS*

		GOVERNMENT-WIDE MATTERS AND SPECIAL REVIEWS
1988	2.4	Observations on government advertising and communications expenditures.
		MINISTRIES
		Ministry of Community and Social Services
1988	3.3	Unsatisfactory monitoring procedures, General Welfare Assistance Program.

Exhibit 6

Report	Section	Description/Status
		Ministry of Culture and Communications
1988	3.5	Better monitoring required, Community Facilities Improvement Program.
		Ministry of the Environment
1988	3.7	Weak controls over water and sewage treatment plants.
		Ministry of Health
1987	4.8	Weak procedures and controls, Health Insurance Program.
1988	3.9	Concerns over hospital funding and performance monitoring.
		Ministry of Municipal Affairs
1988	3.10	Inflexible allocation formulae warrant reassessment, Unconditional Grants.
		Ministry of Natural Resources
1988	3.11	Improved cost controls and resources monitoring required, Forest Fire fighting.
		Ministry of Transportation
1988	3.13	Improved efficiency required, Design Activity.
1988	3.14	Opportunities for cost reductions, Municipal Roads Program.
		CROWN AGENCIES
		The McMichael Canadian Collection
1988	4.3	Acquisitions, safeguards and other matters.
		Ontario Northland Transportation Commission
1988	4.5	Potential for cost savings.

Status of Previous Annual Report Recommendations

Report	Section	Description/Status
		The Royal Ontario Museum
1988	4.7	Improved controls and data security recommended.

NOTE: This exhibit provides the status of all suggested corrective action and recommendations which were:

(a) considered unresolved per Exhibit 6 of the 1988 Auditor's Report.

(b) contained in the body of the 1988 Auditor's Report.

* The status of recommendations will normally be determined during the next cyclical audit of the areas involved. However, where possible, we endeavour to ascertain the status earlier.